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METHODS

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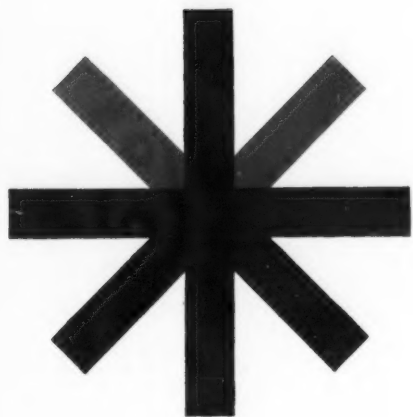
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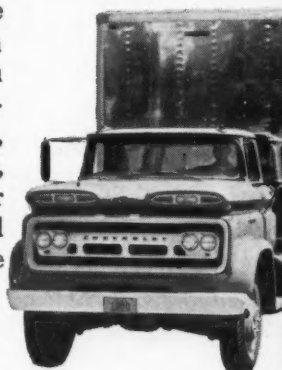


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Management

METHODS®

Volume 18

Number 4

22 West Putnam Ave., Greenwich, Conn.

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Jerome W. Harris

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William S. Kline

Editor
Richard R. Conarroe

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| | |
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| Associate Editor: | Theodore C. Boytos |
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| Art Director: | Laurence Lustig |
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Advertising Offices

New York 141 East 44th Street, MU 7-0583. Division Manager—Gil Hand; Joseph Hanson; William K. Kapp

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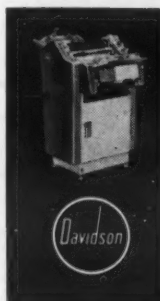
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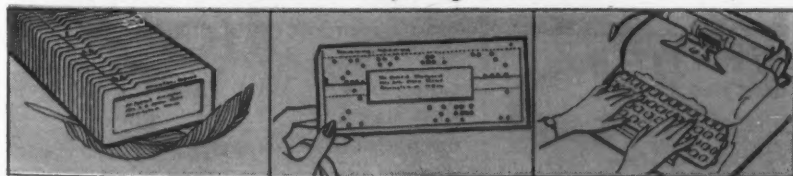
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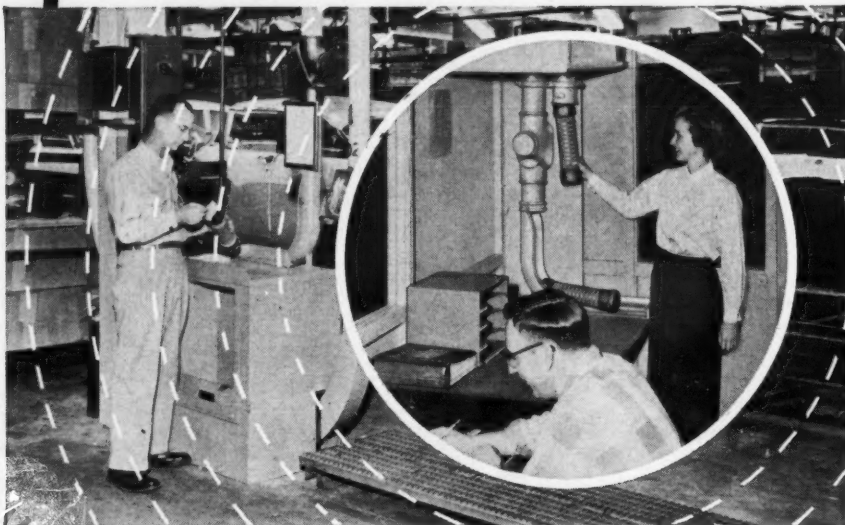
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Letters

Press conference plea

SIR: There are some valuable guideposts in "When to call a press conference" [MM, June, '60] for those in charge of organizing and running press meetings. Two important factors, however, that play an important role in their success or failure were not covered in the article:

1. Diversity of participants.
2. Completeness of information.

I recently attended a meeting at which a new formulation of a plastic material was announced, together with a line of toys made from it. Besides the technical press, editors from women's service journals, merchandising papers, and financial experts were well represented. Result: the presentations were too basic for us, too technical for the others. Our questions sent the ladies to the exits in droves. Theirs—and they were numerous and insistent—lulled us into gentle slumber. Thus, everyone's time was unnecessarily wasted—and time is our most valuable asset.

If you want to hold a press meeting, for heaven's sake pick an audience that has a modicum of uniformity. If the announcement is such that it cuts through all segments of the press, then schedule two or three meetings, each geared to the particular interest of the attending editor.

About completeness of information, I have always been puzzled by those conferences at which the most important questions get a "We can't divulge this type of information" answer. What's the point of the meeting? A new plant is opened, but its capacity? Can't tell. A new engineering material is introduced. How much does it cost?

It depends on so many factors, we can't say. A new process is plugged. What it can do is fully revealed and truly marvelous. But how exactly does it work? That's a secret.

Why call a press conference if you're not going to tell all? It's the tradition of press conferences that embarrassing questions get asked. If you're not prepared to respond to such questions, why bother with the conference? Just mail a release.

SID GROSS
MANAGING EDITOR
MODERN PLASTICS
NEW YORK

Another plea to please press

SIR: To Lucien Greif's June issue report on hosting the press, please append a "hear hear," and pass on my appreciation for those poll-of-editors findings. Pistachio ice cream is now off our menus. Anyone for crêpes?

Anent working tools for the press, let's not forget the press room—typewriters, paper, erasers, pencils, phones. And man it thoughtfully, with a pleasant young lady, just to prove you think of everything.

JAMES O. TRUDEAU
MANAGER OF PUBLICITY
BABCOCK & WILCOX CO.
NEW YORK

Urges preventive management

SIR: Our congratulations on having had the courage to publish the informative article on industrial espionage [MM, June, '60]. Far too many managements, we fear, would prefer to ignore the problem completely, instead of taking even minimal preventive measures. Indeed, management's blindness to the many forms of dishonesty, to which it is vulnerable, has caused losses reaching astronomical proportions.

Our only criticism of your article is that not enough stress was laid on employee defections and on management's responsibility to prevent them. The greatest danger comes, not from the outside, but from within the organization. Last year alone, more than 200 firms were literally forced out of business, and countless others were driven to the brink

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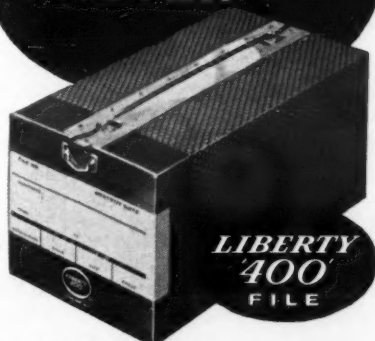
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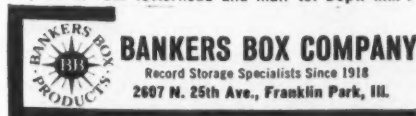
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(Circle number 106 for more information)

JULY 1960

of bankruptcy, simply because they failed to guard against the actions of disloyal employees.

While professional business spies will always be active, the damage wrought by them is relatively insignificant compared to the havoc resulting from employee malpractices. A recent survey revealed, for example, that scientists—the pivotal people in any research project—are the unhappiest people in industry and the first to look for new jobs: 72% of them think management is misusing their talents, 80% of them think they are underpaid, 66% think that "pull" rather than knowledge is the key to advancement, and 75% want to go over the hill and become their own bosses. It won't be news to anyone that unhappy employees are prone to do anything they can to hurt the company. What easier way to hurt it—and turn a neat profit besides—than to sell company secrets to competitors?

Our files contain case after case history of executives, supervisors, scientists, engineers and technicians, who commit this type of dishonesty—either for monetary gain or to get a better job with another firm. Some opened up their own plants using trade secrets stolen from their employers.

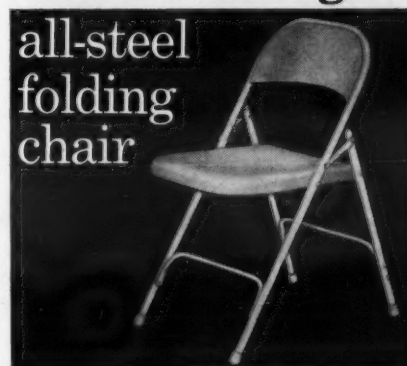
Clearly, if management does not know what is going on in its own organization, especially among top echelon employees, then it is in trouble many ways. The time to correct conditions that breed disloyalty, is before they erupt into dishonesty, not after. It is natural for management to regard their fellow executives as loyal and honest men. Most of them are, of course. But management would be far more secure if it recognized this shocking fact. Of the \$60 million in losses from industrial dishonesty and espionage uncovered last year by our fact finding division, Investigations Inc., more than 62% was attributable to employees on supervisory levels and above.

In the face of these facts, it is imperative that management examine its organization to find out what employees are thinking and doing. Such an examination must begin at the managerial and executive levels since it is executive behavior and attitudes that set the pace followed by rank and file. Double standards, favoritism, and violation of proce-

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dures at the top echelon will invariably cause morale to breakdown, inviting disloyalty. Preventive management, like preventive medicine, requires constant examination and diagnosis.

NORMAN JASPAN, PRESIDENT
NORMAN JASPAN ASSOCIATES, INC.
NEW YORK

Job evaluation amplified

SIR: S. Vincent Wilking did a good job on his article, "How to avoid the seven traps in job evaluation" [MM, June, '60]. It is hard to be concise when writing so broadly on so broad a subject, and I found his treatment better than most articles in print on job evaluation.

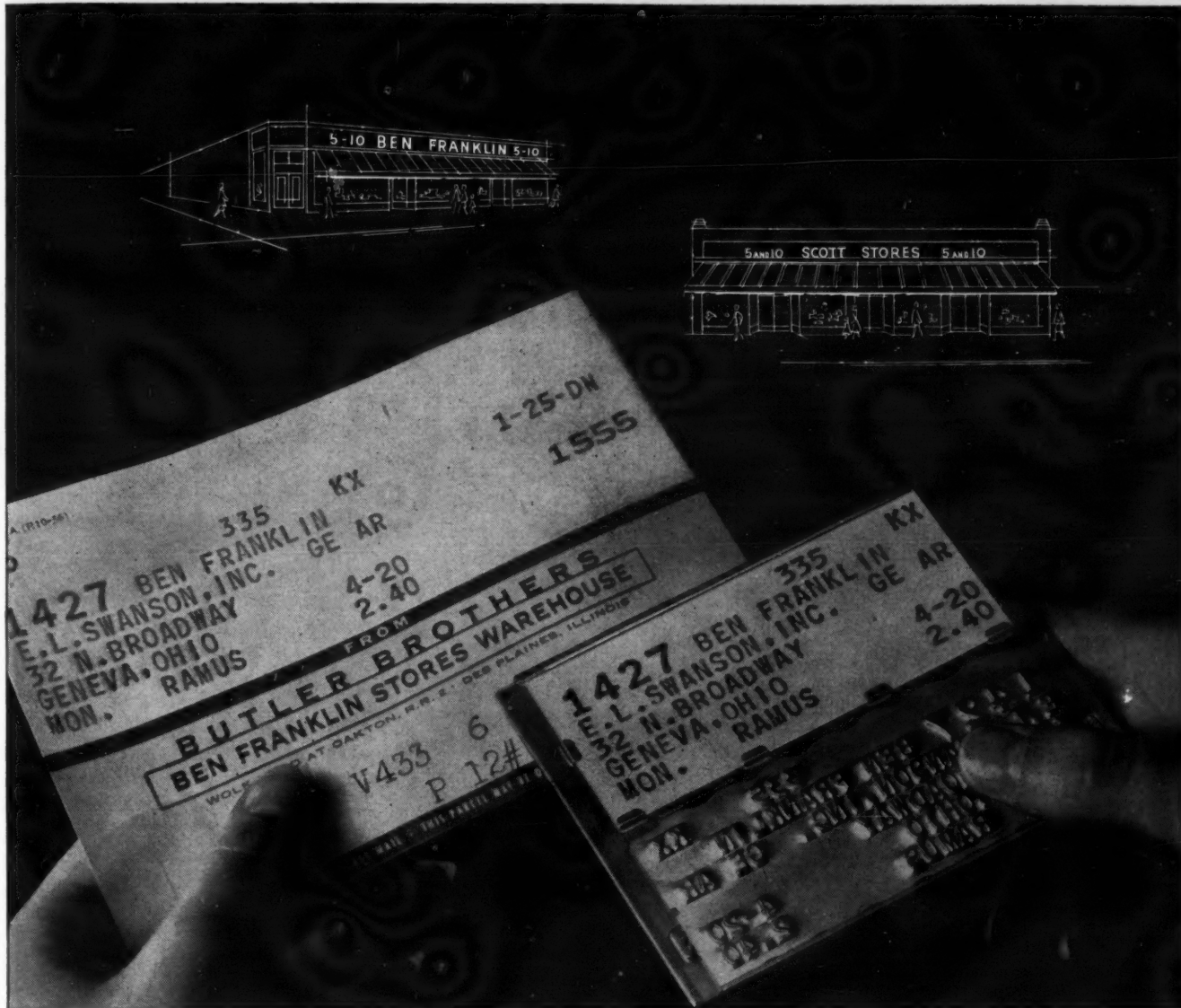
A few thoughts came to mind as I read the article. Perhaps other readers will find them helpful. Like the author, I speak from combined corporate and consulting experience in this area.

Step 1 [determine and write description of each job] cannot, I believe, be considered alone. Step 1 and Step 2 [decide each job's relative place in job hierarchy] should be taken together. Writing a job description is meaningless unless it has a purpose: to serve as a basis for evaluation, for example. It is helpful here to predetermine the factors to be used. Then be sure that the job description form makes the writer cover the facets necessary to enable the evaluation group to recognize clearly the degree or extent to which each preselected factor applies. Job descriptions, position guides, etc., should all have a primary purpose, such as: 1) to be the basis for evaluation, 2) to advise the incumbent what he is to do, 3) to advise others as to whom to see about what, etc.

Again, regarding Step 1: why not have the incumbent write a draft of his own job description? Then revise it with his immediate superior and have the evaluation committee do the lumping based on fact, not the whims of lower level supervision. This "audience participation" may take a little more time, but it breeds respect for the whole process.

In Step 2, you can't expect one evaluation plan to cover all the evaluated jobs in the company. Experience has shown that there

Another example of Addressograph-Multigraph cost-cutting



How Butler Brothers creates good "customer impressions"

Butler Brothers, large Chicago wholesale firm, is the sole supplier of merchandise to Ben Franklin and Scott Variety Stores throughout the country. Orders pour in daily to Butler warehouses for widely varied quantities and assortments.

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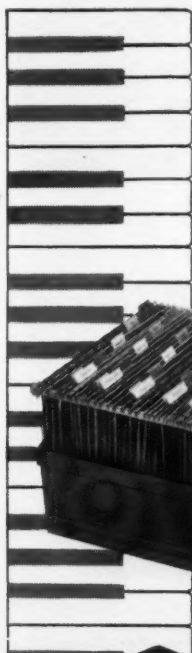


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should be separate plans for 1) the bargaining group in the plant, 2) production supervision, 3) clerical staff, 4) clerical supervision, and 5) executives (the dull brass, so to speak, excluding only corporate officers).

The nine factors cited by Mr. Wilking could be used only in a supervisory job of sorts. Some people say use the same factors for all jobs. But if zero is scored for the supervisory factor in a job involving no supervision, the job does not receive its full range of points. Supervision may count for 10% to 20% of the total weighting. Another point: in using the point scores to translate into money, you should have two area curves—one with supervisory and one without.

I think, too, that the author's factors could be sharpened a bit. Take just four of his factors: scope, complexity, creativeness, and judgment. These sound great, but how do you define them? How do you define varying degrees for each?

Step 3 [check preliminary evaluations, job by job between departments and within groups] is, in effect, a plug for use of a consultant. I don't begrudge the author this point, for I agree that the consultants can be a big help in designing or updating job evaluation plans. A word of caution, however: make certain that the consultant *guides* . . . and that he isn't looked upon as a god who does the actual evaluations.

Regarding Step 6 [determine proper rate ranges for each job]: once the area trend line (points vs. dollars) is drawn and the existing company line (points vs. dollars) is drawn, it is then solely a matter of policy decision. Mathematics and fine phrases add not one whit! In brief, the company decides 1) where it wants to be or must be relative to others, based on where it is now, how far off it is, and how much it can pay now and later to get on the beam; 2) the percentage range at the bottom and the top (i.e. \pm 10% above and below the area average, etc.); and 3) how much overlap there should be between labor grades.

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How firms will recruit new

Despite relatively higher costs, the majority of firms in a new survey indicate they will use professional executive recruiters to get the executives they'll need in the years ahead.

For virtually every firm of any substance, there's at least a 50-50 chance it will need to recruit an executive within two years.

That's the picture reflected in a new survey. Of the nearly 100

WHAT THEY SAID

1. What type of executives will be most in demand in your firm in the next two years?

| | |
|---------------------------|-----|
| <i>general management</i> | |
| <i>marketing</i> | 50% |
| <i>manufacturing</i> | 28% |
| <i>research</i> | 25% |
| <i>finance</i> | 21% |
| <i>engineering</i> | 9% |
| | 3% |

2. Will your company need to bring in an executive from the outside in the next two years?

| | |
|-------------------------|-----|
| <i>no chance</i> | 1% |
| <i>50-50 chance</i> | 35% |
| <i>It's a certainty</i> | 64% |

3. How do you expect to find the talent you need?

| | |
|--|-----|
| <i>through business contacts</i> | 77% |
| <i>executive search consultant</i> | 61% |
| <i>associations, college placement bureaus</i> | 60% |
| <i>advertising</i> | 59% |
| <i>through personal friends</i> | 41% |
| <i>answer "position wanted" ads</i> | 17% |

4. Has your firm ever used an executive search consultant?

| | |
|------------|-----|
| <i>yes</i> | 67% |
| <i>no</i> | 33% |

5. Would you expect a search firm to—

| | |
|--|-----|
| <i>present several good candidates</i> | 98% |
| <i>recommend the one best man</i> | 2% |

6. How should an executive search firm be paid?

| | |
|---|-----|
| <i>full fee regardless of results</i> | 5% |
| <i>part as retainer, part on completion</i> | 57% |
| <i>fee only if you hire someone</i> | 38% |

7. If you've used a search firm, what was the biggest advantage?

| | |
|-----------------------------|-----|
| <i>widened coverage</i> | 40% |
| <i>kept it confidential</i> | 21% |
| <i>got the job done</i> | 17% |
| <i>saved time</i> | 15% |
| <i>saved money</i> | 2% |

8. Are there drawbacks in using a search firm?

| | |
|-------------------------------|-----|
| <i>too expensive</i> | 47% |
| <i>don't understand needs</i> | 21% |

ew managers

respondents, 64% said they would definitely have to add executives from outside; another 35% said the odds are 50-50 they will do so.

The survey was conducted among a sampling of American Management Association members. Results were reported at a recent AMA seminar on executive recruiting. Presenting the findings was Rawle Deland of Thorndike Deland Associates, an executive search firm.

How will these executives be found? Given a checklist of search methods from which to choose, the largest number of respondents (77%) said they would find the talent they need through informal business contacts. The next most popular methods mentioned were: executive search consultants—61%; through associations, professional societies, or college placement bureaus—60%; advertising—59%. Other avenues included contact with personal friends—41%; and answering "position wanted" ads—17%.

Pro and con on search firms

Two-thirds of the companies surveyed have used search firms in the past, recruiter Deland reported, and 79% of this group plan to go back to recruiters in the future.

Among the reasons given by companies for using an executive search consultant were wider coverage, search kept confidential, got the job done, and saved time.

Only 2% said that use of professional recruiters saved recruiting costs. In fact, 47% of the respondents said the biggest drawback to using a search firm is the expense. Also, 21% said professional executive recruiters don't always understand exactly the kind of man the company needs.

Those surveyed were asked the approximate salary of the last exec-

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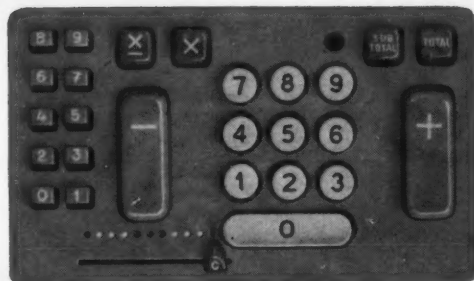
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utive hired from the outside. They were also asked whether the company found the man on its own or through a search firm, and about how much the search cost.

Of the firms that said they found their newest executive on their own, there were 58 new executives reported with an aggregate salary of \$1,040,300—for an average of \$17,900. Thirty-one respondents estimated the cost of finding the man; the figures ranged from zero to \$25,100—for an average cost of \$2,040, or 11.4% of starting salary. Twenty-seven of the "found-him-ourselves" respondents could not estimate the recruiting costs.

Of the firms that said they used a search firm to find their newest executive, there were 26 new executives reported with an aggregate salary of \$547,000—for an average of \$21,000. The cost of the search, using professional recruiters, was \$4,150, or 19.7% of starting salary.

Why the higher cost?

In justifying the substantially higher cost of using a search firm, Mr. Deland told the AMA seminar: "Companies that use a search firm receive a bill and know exactly what it cost to find their man. Companies that do it themselves, however, are just guessing at the cost and honestly don't know. In addition, the higher priced executives that search firms are asked to find are usually more difficult to locate."

Rawle Deland and his co-chairman on the AMA program, Robert A. Huttemeyer, also a partner in Thorndike Deland Associates, described methods of analyzing an executive's resumé and also presented a program of successful reference checking. This is their six-point program:

1. Throw away the listed references (it's only human for the candidate to list the people he knows will say nice things about him).
2. Don't rely on letters (talk in person or on the phone).
3. Don't be vague (ask specific questions to get specific answers).
4. Know the reference-giver (so you can evaluate his comments).
5. Follow your intuition (eliminate all doubts before you hire).
6. Use a checklist (cover only key points on questionable areas, but don't forget to ask any of the significant questions).

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You make a mistake if you think of data processing as just a clerical time saver. Here's how to use it to sharpen executive decisions.

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Whether your firm gets good or bad press treatment depends largely on how you act toward the reporter. These 10 guides show how he wants to be treated.

69. How to make a business prosper and grow

Five top executives tell how to: make a business grow, stimulate imaginative action in subordinates, determine which jobs can and cannot be delegated.

70. When to call a press conference

There are many temptations to call trade and business editors together to show them something new. In this article, some editors tell you why your press conference may be a washout. You'll learn when and when not to call a press conference, and how to run one for best results.

AND IN THIS ISSUE

74. Four questions that test your management organization

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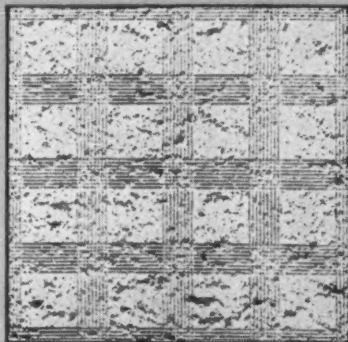
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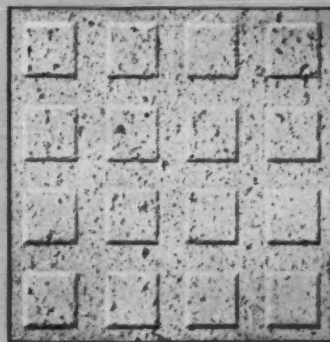
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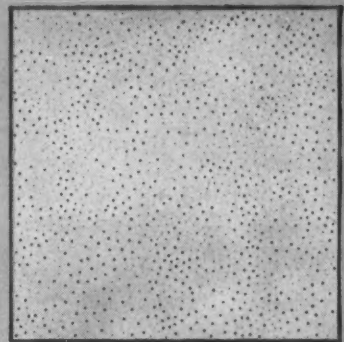
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- Products to meet every building code
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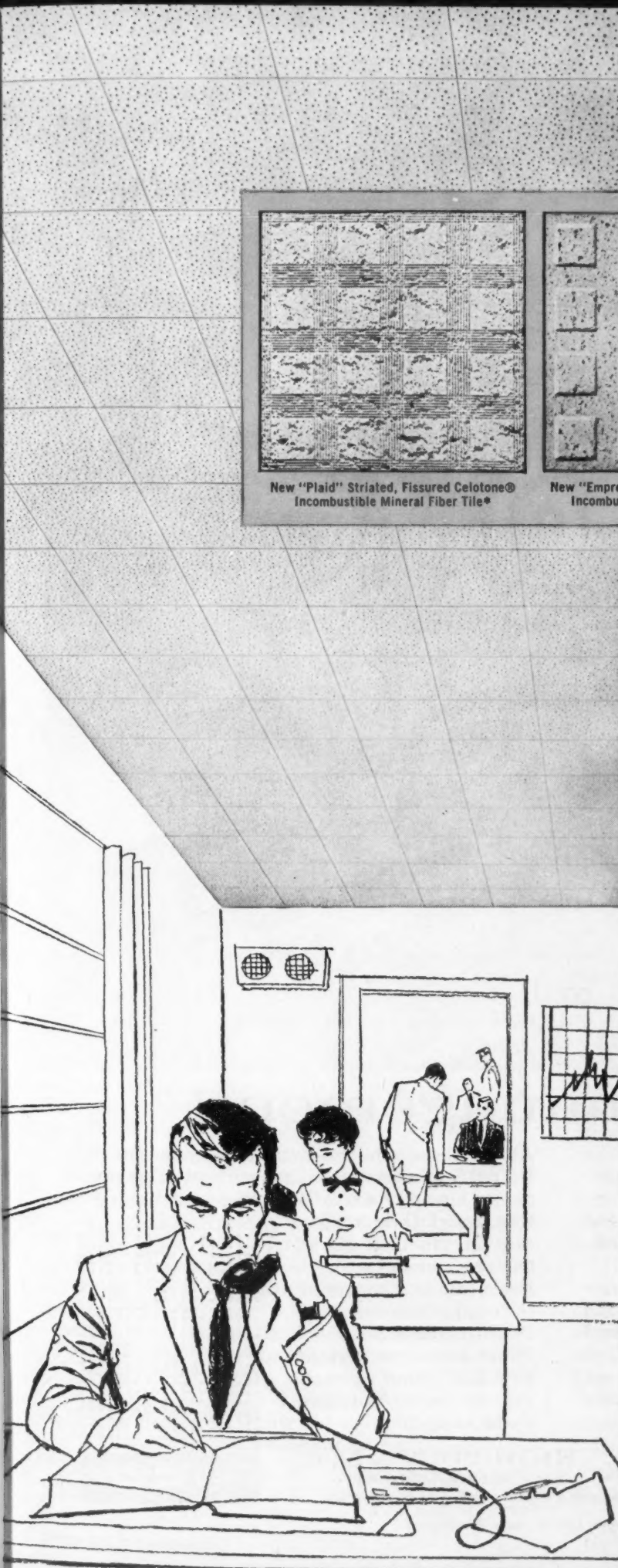
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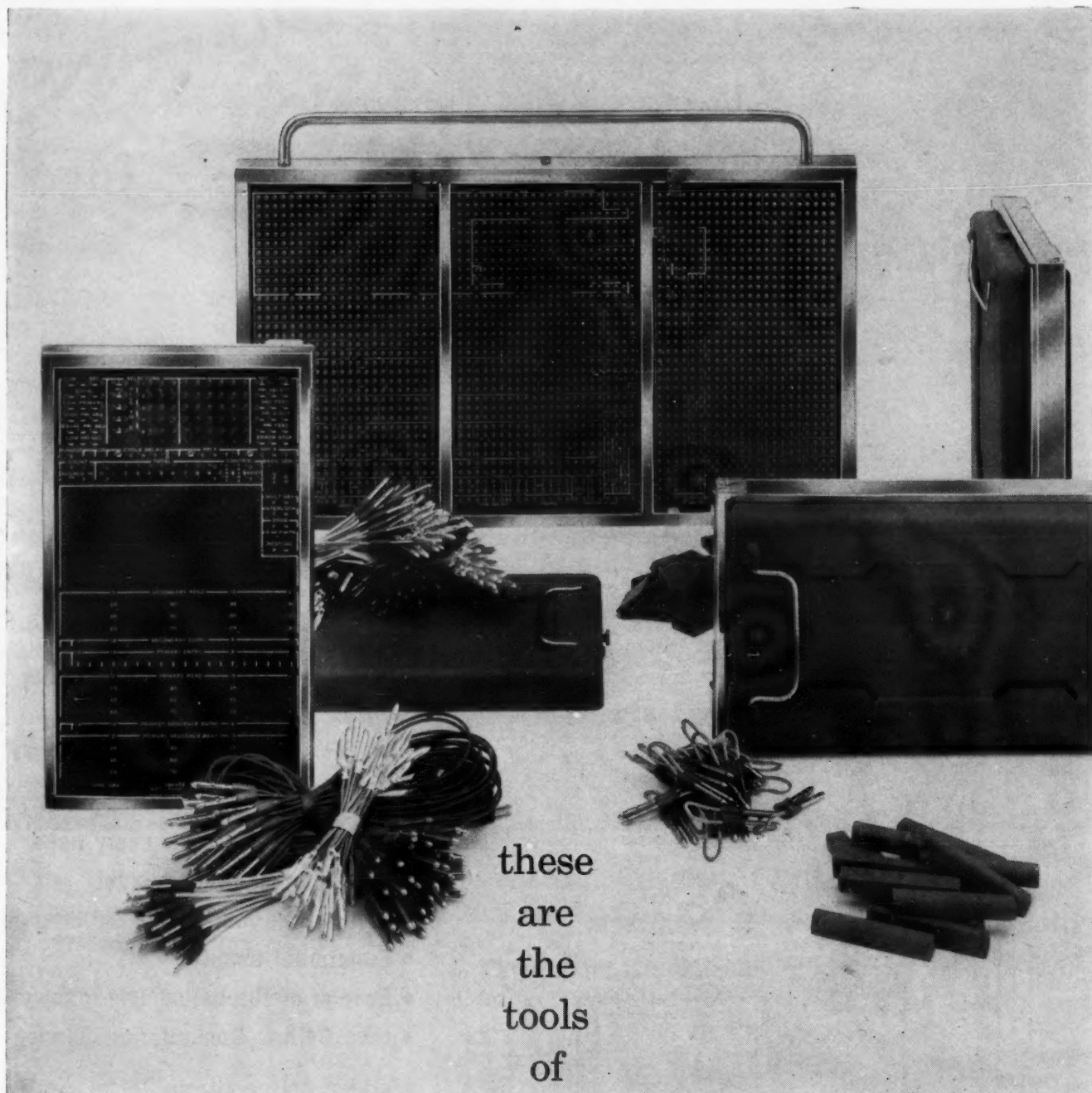
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MAC Panel Company is a leading producer of quality control panels and components . . . a complete selection of precision-engineered products for use with IBM Punched Card and Data Processing Equipment. These are the tools that have been designed to perform jobs that benefit your entire organization.

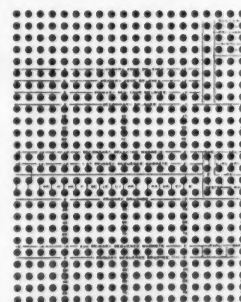
All of the 36 billion-dollar businesses in the United States as well as thousands of other companies already look to MAC Panel for products that assist their companies in the methods of modern management.

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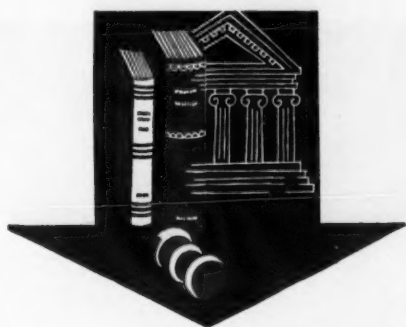
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MAC PANEL



DO YOU KNOW THE LAW ON

Permanent employment

DO YOU HIRE A MAN FOR A GIVEN AMOUNT OF TIME?

The question—When an employee is given permanent employment, does that mean he is hired for a definite amount of time?

The answer—No. Permanent employment is a hiring at will. It may be terminated by either employer or employee at any time without notice. The only exception is when the employment contract depends on some special consideration other than the services to be rendered by the employee or the mere payment of the wages.

Case one—A Connecticut trade magazine published the notice: "A permanent position awaits an all-around male newsman with experience in several beats and an educational background that will stand up in a university city."

A reporter applied for the job by letter, had an interview with the managing editor of the paper and was hired.

In his application for the position, the reporter had written that he was looking for a position which, "in the event my services are satisfactory, will be permanent."

After five years on the job, the reporter was fired.

The reporter brought suit for damages for what he claimed had been a breach of his contract.

Denying him a recovery, the Connecticut court said, "In the absence of a consideration in addition to the rendering of services incident to the employment, an agreement for a permanent employment is no more than an indefinite general hiring terminable at the will of either party without liability to the other."

"It seems clear to us that the negotiations amounted to nothing more than the hiring of a reporter for a job which was permanent in the sense that it was not a temporary place. The hiring was indefinite as to time and terminable by either party at his will."

Fisher v. Jackson, 118 Atl. 2d 316, Connecticut, November 15, 1955.

Case two—A Chicago manufacturer ran an ad offering employment in the production of radio equipment. A mechanical engineer, living in Wisconsin, applied for a position.

He was hired and made an agreement to manufacture resistors at a salary of \$10,000 a year and one half of 1% of the gross sales. He had been with the company approximately one year when he was discharged. He brought suit against the company for damages for what he contended was a breach of a contract for permanent employment. The court denied him recovery and he appealed. The United States Court of Appeals upheld the judgment of the lower court with the statement:

"There was not the slightest bit of evidence that the employee ever agreed that he would continue in the employ of the company for any specified time. In other words he had a right to terminate his employment at any time and did not promise to perform for any definite length of time. Therefore the contract could not have been enforced against him and was lacking in mutuality. Consequently he cannot enforce it against his employer."

"Nor can it avail this employee that his contract was, in his own words, permanent. The Supreme Court of Illinois has expressly held that a contract for permanent employment is one at will. This is in accord with the decisions of other jurisdictions that contracts not expressly made for fixed periods may be terminated at the will of either party."

Meadows v. Radio Industries, 222 Fed. 2d 347, Illinois, May 6, 1955.

Case three—Injured by inhaling cotton poison fumes and dust from a dusting machine he was operating, a South Carolina employee insisted that he was entitled to disability compensation and a refund of medical expenses under the state's workmen's compensation law.

As an inducement to withhold this claim his employer promised him continual employment until he died or until he reached the age of 65 years. When he was discharged four years later he sued for \$20,000 damages for breach of contract by the employer.

"A contract for permanent employment," said the court in denying the employee a recovery, "or for a duration of years which is not supported by a consideration other than the obligation of services to be performed on the one hand and wages to be paid on the other, is terminable at the pleasure of either party and not enforceable."

"However, when an independent consideration passes from the employee in addition to the performance of services, the duration of the contract may be optional on his part without impairing the mutuality."

"The independent consideration relied upon in this case is the forbearance to pursue the provided remedy under the workmen's compensation law. This right however is not available to the employee and therefore cannot be made a consideration for this alleged contract. The contract is not enforceable since neither the employer nor employee has the right to enter into an agreement which evaded or avoided the terms and conditions of the Compensation Act."

Gainey v. Coker's Pedigreed Seed Co., 87 S.E. 2d 486, South Carolina, May 12, 1955



ANCO windshield wiper blades and arms play an important role in safe driving.

BURROUGHS TYPING ACCOUNTING MACHINES INCREASE SPEED BY 51% ON RECEIVABLES AND GENERAL LEDGER FOR THE ANDERSON CO.

The scene: Gary, Indiana, where The Anderson Company produces ANCO windshield wiper blades, arms and other patented safety products. **The job:** accounts receivable and general ledger accounting. **The equipment:** Burroughs Typing Sensimatic Accounting Machines. **The results:** President John W. Anderson reports "Burroughs equipment handles our heavy work load in half the time formerly required—51% faster, to be exact. The excellent typing feature increases speed substantially. And because the equipment is so easy to operate, it makes operator training simple."

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Burroughs data processing equipment ranges from accounting machines to complete electronic computer systems. It's supported by outstanding systems knowledge and known for outstanding results in businesses of every size. For details, action—and results—call our nearby branch now. Or write Burroughs Corporation, Detroit 32, Michigan.



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IDEAS

Here is a new book that talks your own language—the all-new, 1960 edition of IDEAS FOR MANAGEMENT. This book is *alive* with ideas.

It spells out how you can save money—and make your company more profitable—with better methods, better systems, better procedures. *The results are guaranteed.*

If within 10 days you haven't found at least one idea in this book that can substantially cut costs or build profits in your company, you are invited to put the book back in its shipping container, return it—and owe nothing.

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from all parts of the world. Leading management people head sessions and workshop discussions devoted to specific problems, and present case histories of results achieved through imaginative management.

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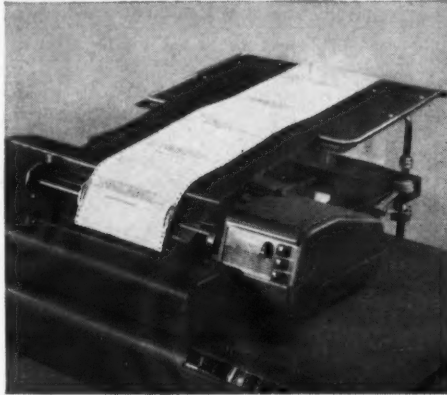
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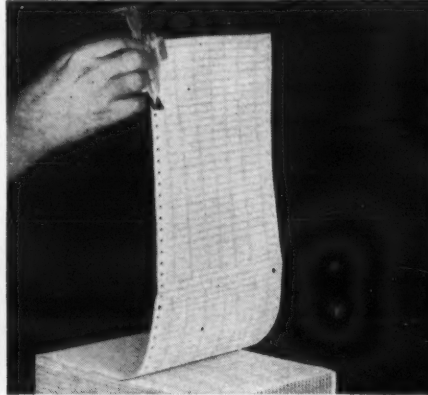
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NEW Moore Speediflex

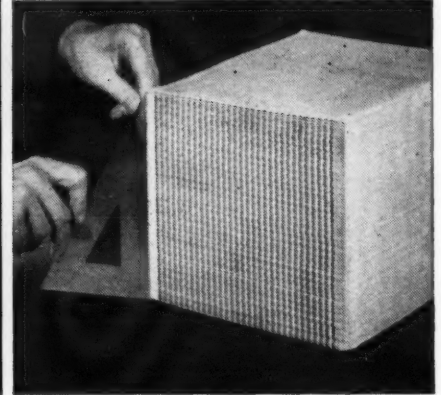
GIVES YOU THESE THREE
FORMS-HANDLING BENEFITS



1 PERFECT FEEDING—The entire set of parts and carbon feeds, naturally and in perfect alignment, around the writing platen.



2 PERFECT REGISTER, because there's no tenting or peaking, and both sides flow freely in natural, flexible movement.



3 PERFECT REFOLDING in neater square packs results from still another advantage—Moore's unique way of perforating the sets.

This Moore 'first'—a brand new concept—results in new forms-handling efficiency for users of continuous marginal punched forms. The revolutionary new dimension is the flex-cut carbon. It acts as a flexible bond between the various parts, and allows the Speediflex unit to flow naturally without 'tenting' or 'peaking,' aligning at the point of writing for perfect part-to-part register. This great new form introduces many other forms-handling benefits. For a demonstration, look up the Moore man in the telephone directory or write the nearest Moore office.

Speediflex is a patented product of Moore Business Forms, Inc.

MOORE BUSINESS FORMS, INC., Niagara Falls, N. Y.; Denton, Texas; Emeryville, Calif. Over 300 offices and factories throughout the United States, Canada, Mexico, Cuba, Caribbean and Central America.



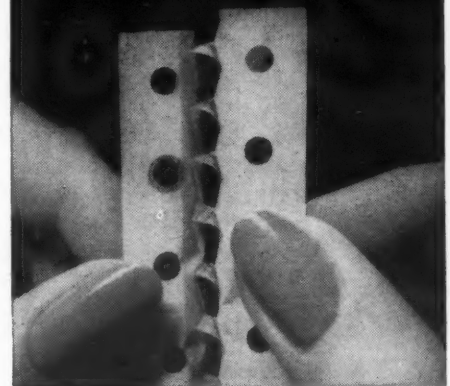
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MOORE BUSINESS FORMS

(Circle number 126 for more information)

THE SECRET OF SPEEDIFLEX

The parts are bonded together by flex-cut carbons, allowing flexibility in movement of forms that has never been possible before.





Clip out and route to:

Workshop for Management

PRACTICAL IDEAS YOU CAN USE RIGHT NOW!

ATTENTION GETTERS

ADD A PHOTOGRAPH TO YOUR CALLING CARD

■ LIKE A GOOD ADVERTISEMENT, your calling card is likely to do a good job if it contains a good picture.

Many executives these days are including on their cards a picture of their headquarters, their product or themselves. They find both caller and company gain added attention, recognition and remembrance when they present an illustrated calling card.

Attractive ones can be made on a do-it-yourself basis by normal photographic methods. Or, you can have all or part of the job done by professionals.

If you want to tackle the job yourself, Eastman Kodak has published a step-by-step guide on the complete process—from taking the portrait to cutting the cards.

For this free six-page leaflet on how to make photographic calling cards in color, circle number 264 on the Reader Service Card.

PROFIT MAKERS

WEIGH COMMITTEE COSTS AGAINST BENEFITS, IF ANY

■ ARE COMMITTEES TOO EXPENSIVE? As a fair test, take all their decisions and weigh their value against the proportionate salary used up by the committee. At the same time, add all of the pro-rata salary expense of men serving on committees. You

will arrive at a whopping administration bill.

With this committee cost factor in mind, E. Duncan MacKenzie, assistant secretary, Atlantic Mutual Insurance Co., New York, suggests you ask yourself these questions before appointing a committee.

Is this committee necessary?

Could one person accomplish the objective or make the decision on his own?

Will appointing a committee split responsibility or let someone entirely off the hook?

Is attendance at meetings robbing executives of time they should spend on functions for which they were hired?

When you do appoint a group to handle a project, keep score on what is accomplished. Be realistic when you measure results. This is not easy if your company has the committee habit.

FOLLOW THESE RULES FOR SUCCESS

■ HERE, BRIEFLY, is the philosophy that made Du Pont what it is today. Any company that wants to grow can follow these guiding rules, according to James Q. du Pont, member of the clan and public relations executive of the company.

1. Fill a need.
2. Have the job know-how.
3. Meet competition.
4. Always improve through research.
5. Don't waste anything.
6. Be in a position to get more capital when needed.
7. Plow back earnings heavily.

8. Diversify and departmentalize.
9. Have owner-managers give personal attention to the business.
10. Try to treat people right.

GOODWILL CREATORS

MIND YOUR GIRLS' TELEPHONE MANNERS

■ MANY CUSTOMERS, prospects and others have contact with your company only by telephone. Have you monitored the reception your operators give callers? An unpleasant voice or abrupt answers will create a bad impression.

Inattention and plain bad telephone manners are habits in many companies. Proof of this resulted from a test made by the New York Telephone Co. They phoned several hundred business offices.

More than half of the answering voices were negative—bored, unpleasant, indifferent or rude. Some



girls responded in a disinterested monotone, others had shrill or whiney voices.

No business can afford to neglect this important point of contact. But many do. Girls are often pressed into service as relief operators simply because they are available. In other cases, telephone operators are loaded down with so many other

WORKSHOP

duties, they can't do justice to handling calls.

Extra care in selecting girls with clear, cordial voices is needed. Then training both regulars and pinchhitters in pleasant manners and efficient disposition of calls will pay off in goodwill toward your company.

GAIN THANKS OF OVERTIME PARKERS

■ HERE'S AN IDEA that could be adopted by almost any firm. All it takes is a little time and a few nickels.

Two or three times a day an employee of the Hotel Van-Orman-Graham wanders through a downtown section of Bloomington, Ind. When he spots an occupied but expired parking space, he drops a nickel in the meter. He then attaches a hotel calling card resembling an overtime parking ticket to the windshield wiper of each car he "rescues."

This simple courtesy plan, the hotel manager reports, gains goodwill—and patronage—far out of proportion to the small effort and cost involved.

The idea grew out of the warm response to the low cost service performed regularly for hotel clients and callers who overstay their metered time.

HEALTH PRESERVERS

RID YOURSELF OF FATIGUE INDUCERS

■ THERE ARE MAJOR FACTORS that can sap your executive horsepower. These fatigue causes—and their cures—are diagnosed by Robert Mines in *Your Health*.

Worry. As an antidote, forget the past except for the lessons it has taught. Think of the future only enough to plan for it. Remember that useless worries usually disappear in the face of constructive activity.

Pessimism. Looking at the black side is a habit. Cultivate an optimistic viewpoint instead. Optimism is the greatest enemy of emotional fatigue.

Excessive self-concern. To quote Bertrand Russell, "The man who loves himself only . . . is bound to suffer intolerable boredom."

Lack of awareness. The person who is alert to the little things of life gets a lift others often lack.

Lack of order. Clutter and confusion are prime sources of fatigue.

Lack of adventure. Doing the un-



expected occasionally is a good way to make order meaningful.

Lack of exercise. Scientific studies show that exercise is one of the quickest ways to dispel tensions and anxieties. And try a walk to get rid of anger.

EFFICIENCY HINTS

MINIMIZE WORK MOTIONS

■ THERE ARE TESTED RULES of work motion economy. Although they apply strongly to production operations, they can be adapted to clerical work, even executive work.

Try these rules to see how much time waste you can wring out of your work pattern:

1. Before starting a job, list all accessories needed—either get them in advance or schedule them for delivery to you.
2. Have work brought to your work place instead of going for it yourself.
3. Keep frequently used articles readily available.

4. Keep working surfaces clear of infrequently used articles.

5. Avoid rehandling, lifting, storing, reaching, searching, sorting or counting, if possible.

6. Utilize mechanical devices, holders, fixtures or other job aids.

7. Let repeat motions travel the minimum distance for work performance.

8. If work involves repetitive motions, try to use both hands in simultaneous motions in opposite directions, in cycles of equal length of time. Rhythm is useful.

9. Discard unnecessary motions and standardize the necessary.

10. Utilize all forms of waiting time for constructive reading or other work.

11. Change your working position from time to time, especially with sedentary occupations.

12. In advance of any kind of contact, decide what you want to accomplish by it.

13. Make important contacts face to face.

14. Make most other contacts by phone, memo or letter, if the other person is located at some distance from you.

15. Set high standards for yourself of quantity, quality, cost, time limits and specific attainments.

These time and motion savers are suggested by Management Consultant Eugene J. Bengé in his new book, *How to Become a Successful Executive*, published by Frederick Fell, Inc., New York.

EMPTY DESKS OF ACCUMULATED TRIVIA

■ CHANCES are your office could benefit by enlisting all hands in a clean-up drive.

Canada Life Assurance, Toronto, recently tried such a drive. Result: six tons of unneeded papers and five tons of cardboard were emptied from desks and files at the University Avenue home office.

Removal of these deadwood rec-

paperwork and the big picture

One way to look at the big picture at Admiral Corporation is from a comfortable chair in front of the new Admiral development, 23 inch TV. The other view is from management's chair.

A. B. Dick offset duplicators play an important role at Admiral in putting the profit into management's big picture. In a typical week, the four machines turn out more than 600 different forms in quantities ranging from 15 to 10,000. Included are sales-order invoice forms and production and engineering change orders. Total weekly production: 500,000 copies. Efficiency: 50% greater than with former equipment.

Making business more profitable by making paperwork more efficient is another achievement of copy communications by A. B. Dick Company. For the latest information on methods benefiting your industry, write A. B. Dick Company, Chicago 48, Illinois.



A·B·DICK®
OFFSET PRODUCTS



WORKSHOP

ords reduced the amount of filing cabinets needed. Minus the clutter, paperwork processing and retrieval of wanted records was speeded up.

Further, the staff association collected \$600 from sale of scrap paper and spare files.

TIME SAVERS

TRY POLITE SUBTERFUGE TO END TOO LONG VISIT

■ **BOTHERED WITH CALLERS** who overstay their welcome? You might try the simple signal system used



by Advertising Consultant Frank W. Gray.

An ornamental ashtray on his desk serves as a signal to his secretary. When an interview reaches the non-productive stage, Mr. Gray buzzes for his Girl Friday. She immediately glances at the ashtray. If the figure of the golfer points away from the boss, she reminds him of an overdue appointment. Thus, with tactful subterfuge, the long-winded visitor gets a friendly good-bye handshake—minus any suspicion of a brush off.

SALES BUILDERS

TAG RETAIL PRODUCTS TO CAPTURE BUYERS

■ **ANY CONSUMER PRODUCT**—from furniture to can openers—gains added acceptance when it bears an informative tag.

This fact is borne out by a recent point-of-purchase survey made by

an independent research firm for the Tag Manufacturers Institute. For instance, a tagged electric toaster was selected on an eight-to-one ratio over an identical, but untagged, toaster. Tagged toys came through with a five-to-two ratio over untagged toys. Transistor radios with a tag scored six-to-one over their untagged counterparts.

In fact, all 26 of the tagged products tested outsold identical merchandise with no tags—at varying ratios from a low of two-to-one for refrigerators to a high of eight-to-one for egg beaters.

However, the Tag Manufacturers Institute points out that not any old tag will do to boost sales. Color, design, size, copy and sales appeal of the tag must be carefully selected for the specific product.

As an example, the survey showed big appliances such as freezers had more consumer acceptance when they had large tags rather than small ones. Yellow tags were most effective for some items—blue or red tags for other products.

COST CUTTERS

SAVE TIME, ADD IMPACT WITH DUO-WINDOW ENVELOPES

■ **PROBABLY** you already utilize single window envelopes as a time saver for bills and other correspondence.

But have you considered the uses for a two-window version that eliminates need for any printing on your envelope?

For instance, if your firm has several corporate names, locations or divisions, the same blank envelope will allow both your letterhead and the recipient's address to be viewed at a glance.

Or, for promotion mailings, you can use an attention getting caption or illustration on your letter which will appear in one window, the inside address in the other.

However you use duo-window envelopes, they require no imprint

and, of course, they eliminate mis-addressed or spoiled envelopes. Further, being blank they never become outmoded whether you move or change your company name.

For a sample of the Twindow envelope, copyrighted by Atlantic Advertising Inc., circle number 266 on the Reader Service Card.

SAFETY INSURERS

WARN WATCHMEN TO WATCH OUT FOR HAZARDS

■ **WHEN MAKING HIS ROUNDS**, your security guard should watch out for—correct or at least report—these common hazards to safety.

- Slippery floors.
- Tripping hazards, such as wires, hose lines, piping.
- Inadequate warning signs at excavations, manholes, trap doors.
- Missing or inoperative entrance and exit lights.
- Poorly lighted stairs.
- Loose handrails or guard rails.
- Aisle or street obstructions blocking access of fire equipment.
- Overheated motors.
- Loose or broken wiring.
- Open fire doors.
- Running motors not in use.
- Defective ladders or scaffolding.
- Leaks or unusual fumes.
- Broken windows or doors.
- Dangerously piled supplies or equipment.

Then to make sure your guard doesn't injure himself while looking for these hazards, Pinkerton's National Detective Agency suggests these precautions.

- After dark, always use a good flashlight.
- Watch out for overhead or underfoot obstructions.
- Proceed slowly; look around.
- Beware loose boards, unstable platforms.
- Avoid icy or oil slick spots.
- Don't run downstairs; use handrail.
- Check ladders before use, and climb carefully.



Imagine the odds management is bucking!

No, you can't blame the men. They clocked in at eight this morning — but, as yet, the work hasn't reached their department. Pitching pennies at least passes the time. But you can bet that game of theirs will show up in the company's P and L!

Sometime soon, when work *does* come through, their department will need an extra shift to get it done. What with down-time one week and overtime the next, the game of chance management's playing is hardly penny-ante.

Too bad this company didn't know about Automatic Keysort Data Processing! With Automatic Keysort's weekly work-load summaries, management would have been aware of the exact situation in every department in the plant. Knowing *on time* which were due to be light, and which overloaded,

they could have acted *fast* to arrange schedules, transfers, extra shifts. Being informed of things almost as they happened, they could have kept production moving smoothly—and profitably.

Automatic Keysort's easy-to-use machines and punched cards require no specialized personnel, no restrictive procedures. Designed to fit your business as it stands and as it grows, Keysort will give you all the fast, accurate information you need for modern management control of every operation. And at remarkably low cost.

To learn more about Automatic Keysort Data Processing, call your nearby Royal McBee Data Processing Representative, or write Royal McBee Corporation, Data Processing Division, Port Chester, New York for brochure S-500.

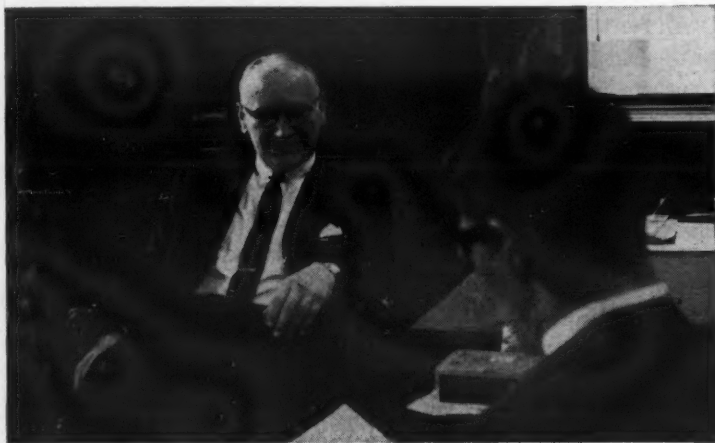
ROYAL MCBEE · *data processing division*

NEW CONCEPTS IN PRACTICAL OFFICE AUTOMATION

(Circle number 134 for more information)

Why the new trends in pension plans?

Pension plans are taking on a new look as more companies realize what powerful employee relations tools they can be. Is your pension plan keeping pace with the new trends? Consider this: an outdated, "second best" pension plan can cripple hiring efforts and increase turnover. Measure your pension plan against these new developments.



To get the specific reasons why pension plans are getting a new look, a *Management Methods* editor interviewed Ralph W. Hemminger, vice president of Bankers Trust Co.

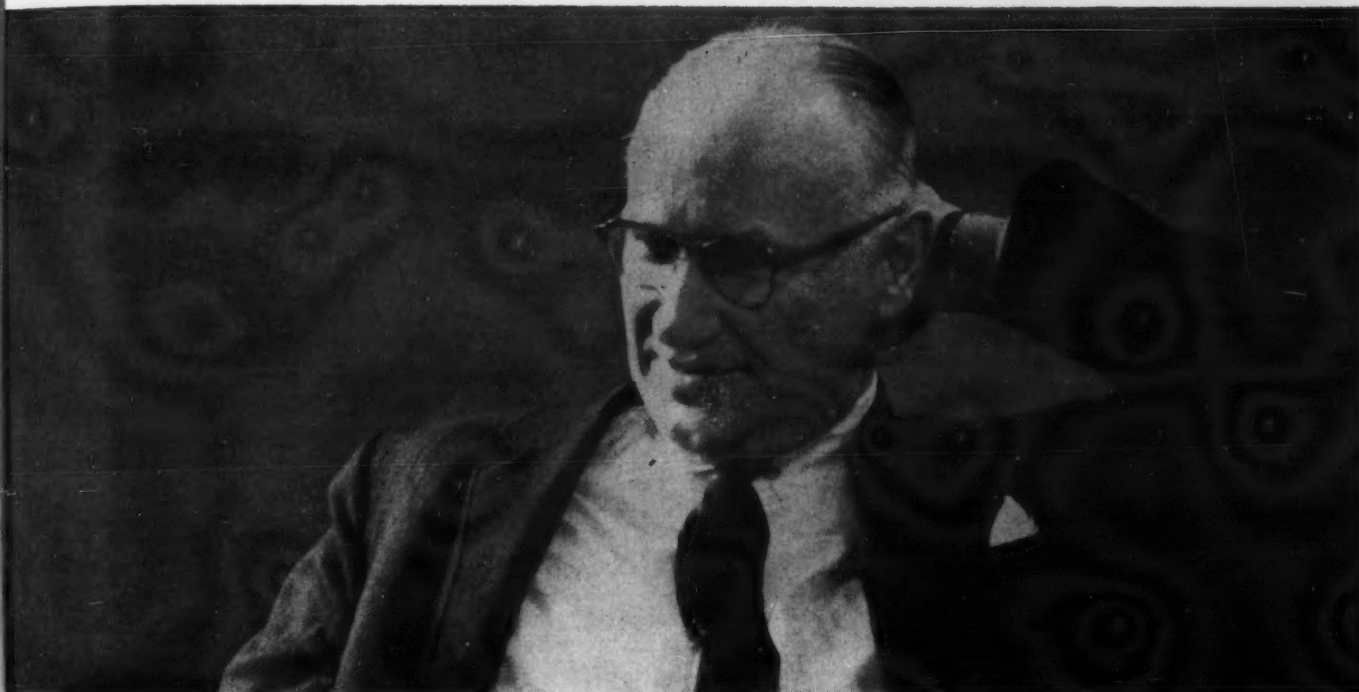
■ If your pension plan is outdated, it can hurt your company in several important ways. Consider these facts.

Leisure time is becoming increasingly more important to more people. That's why many people are concerned about their retirement years—and the kinds of retirement programs available to them.

A pension program that keeps up with the times can be a helpful management tool. But if that tool is out-of-date, here's what can happen:

- Top job applicants may shun your firm for one that offers a better retirement program.
- Employees may leave if they find a company where eligibility requirements for pensions are not so strict as yours.
- Younger men may feel stunted if the program allows older executives to hang on and on. Feeling there's no room to grow, the younger men may leave.
- Resentment—and low morale—may arise if employees feel they're not getting a fair deal under your pension plan.

If you can afford to disregard



these things, fine. But if you can't, it's a good idea to measure your retirement program against the nationwide trends most pension plans are taking.

Every three years, Bankers Trust Co., New York, publishes a detailed study of industrial retirement plans. This article is based on that report, and on an in-depth interview with an authority on retirement programs, Ralph W. Hemminger, vice president of Bankers Trust Co.'s Trust Department.

For its latest study (1956-59), Bankers Trust Co. surveyed 230 firms in 114 different industries.

The study covered both types of pension plans: conventional plans and pattern plans. Conventional plans are usually those undertaken voluntarily by a company. Pattern plans are a standard type of plan generally negotiated between an individual company and one of the international unions. Union-industry plans were excluded from the Bankers Trust study.

Here are the trends, the facts behind the trends, and the reasons why these trends are taking place. Use these facts as a yardstick to

see whether your own pension plan—present or future—is up to date.

Employee coverage

THE TREND—Toward coverage of nearly all employees in a company. Also a trend toward using more than one pension plan to cover different employee groups.

THE FACTS—In the early 1940's, many firms limited pension programs to salaried employees, or to those earning over \$3,000 per year. In the Bankers Trust study of 1943-45, only 63% of the firms surveyed had retirement programs covering most or all of their employees. Today, 90% have pension plans for nearly all their employees.

To cover almost all employees, 36% of the firms in the 1956-59 study have multiple pension plans. In the 1953-55 survey, only 28% had multiple plans.

THE REASONS—Pensions became an important bargaining matter in 1949. This meant that hourly workers, as well as salaried employees, were made eligible for retirement income.

Another reason for broader em-

ployee coverage is that lower-salaried employees—those formerly excluded from pension plans—began to want "in." Subtle pressures, in the form of low morale and lowered productivity, were put on management by these employees.

"Don't forget that companies are becoming more social conscious," says Ralph W. Hemminger. "They are concerned with employee relations, and a fair pension plan is one thing that can help keep employee relations smooth."

The reason some firms use more than one plan to cover their employees is this: they found it preferable to give the bargaining unit a separate pension plan, rather than modify the existing plan to conform to the union's demands.

Eligibility requirements

THE TREND—Toward lessening eligibility requirements in conventional pension plans. Relatively few pattern plans have eligibility requirements.

THE FACTS—Most conventional pension plans have age, service, or age-and-service requirements that

"Don't overlook the competitive benefits of a good pension program. Make



must be met before an employee is eligible to join the plan. But these requirements are being relaxed.

For instance, 22 out of the 31 plans that amended eligibility during 1956-59 eased their requirements. Here's the breakdown:

- Five plans eliminated eligibility requirements.
- Two plans reduced age and length of service requirements.
- Eight plans reduced service requirements.
- Seven plans reduced age requirements.

Most pattern plans cover employees from the first day of employment. That's why they are considered to have no eligibility requirements.

THE REASONS—Firms are giving people a chance to join the pension plan earlier to get the most mileage out of the plan. It reduces turnover among one- and two-year employees. If they get into a pension plan relatively quickly, they're less likely to want to leave.

A plan with requirements that are easy to meet is also a good hiring tool. Consider the personnel manager who can say to a good job applicant, "This time next year, you'll be in our pension plan."

One thing to consider is this. "It

costs a company money to bring employees into the plan early," says Vice President Hemminger. "Employees who join after one year, say, and continue on to retirement, get benefits for four more years than those who have to wait five years to join."

Employee contributions

THE TREND—No change. As in the 1953-55 study, 55% of conventional plans either require or permit employee contributions. Few pattern plans require or permit employees to contribute toward their pensions.

THE FACTS—In conventional plans, contributions are handled in one of three ways. Some require a certain contribution, but will not accept any more than that. Others require contributions, but will permit employees to make additional contributions if they wish. The third is where the employee is not required to make any contribution, but he can contribute money to his own pension plan if he wishes.

One slight trend indicates that required contributions are slowly on the decline. Among new pension plans, the percentage that requires employee contributions is not so high as it used to be.

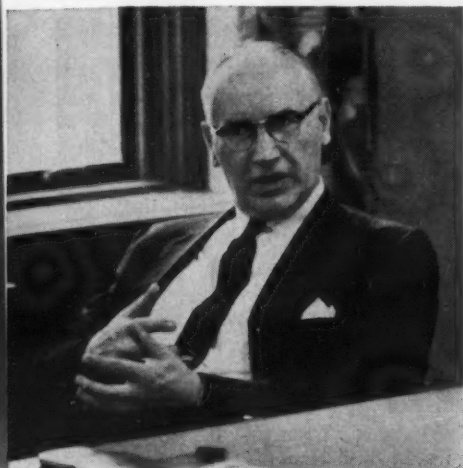
Most pattern plans neither require nor permit employee contributions. But some allow certain salaried "pattern plan" employees the opportunity to increase their benefits by contributing to a conventional plan.

THE REASONS—About half of the conventional plans require or permit contributions, and about half do not. Why the split?

Says Ralph W. Hemminger: "Some companies are convinced that employees appreciate a pension plan more if they contribute to it. It gives them a feeling of participating. Other companies don't subscribe to this philosophy. That's one reason for the split. It also explains why there isn't much change in either direction."

Experience shows that plans which permit contributions on a voluntary basis are beneficial to highly paid executives. An executive contributes money to his pension fund. It is invested by the administrators of the plan (usually professional investors). The earnings accumulate to the executive's credit, free of income tax. He is taxed on the accumulated income only when he receives it at retirement. At that time it is taxable as a long term capital gain, which carries

it as attractive as possible."



a lower tax rate than a personal income tax.

Some conventional pension plans are reducing the amount they require employees to contribute. Again, this indicates a desire to improve employee relations through the pension plan.

Normal retirement age

THE TREND—No change. Sixty-five is still generally accepted as the normal retirement age. Neither has there been a significant change in compulsory retirement ages.

THE FACTS—The term "normal retirement age" refers to the earliest age at which an employee has the right to retire on a full pension. "Compulsory retirement age" means the age at which an employee must retire, unless he obtains special consent from his employer to keep working.

There has been a reduction in the normal retirement age for such special employees as airline pilots and salesmen. It is not widespread enough, however, to indicate a trend.

In 72% of the conventional plans drafted between 1956-59, normal and compulsory retirement ages

were the same—65. But one slight trend shows up. Companies are slowly discarding compulsory retirement ages. In the 1953-55 study, only 6% of the firms had done away with compulsory retirement ages. By the 1956-59 study, 17% refused to set an age at which a salaried employee must retire.

In pattern plans, the normal retirement age is 65, but about 75% of the pattern plans studied permit an employee to work past 65 if he so elects. In many of these cases, the company must agree that the man is physically able to work.

THE REASONS—Sixty-five is still accepted as the normal—and in some cases compulsory—retirement age simply because it's the most common age to use. That's what many companies report. Another reason is that 65 is the age when a man begins to receive Social Security payments. Experience shows many companies have adopted this age because it's the most convenient.

"Companies adopt some sort of retirement age—whether they enforce it or not—for a very good reason," says Ralph W. Hemminger. "It gives them an idea when employees are going to step out and have to be replaced. It's hard to run a good organization if there isn't some age at which employees are expected to retire. Younger people won't be too happy if the older people keep hanging on and leave them no room to grow."

Early retirement

THE TREND—Toward making it easier for employees to retire before they reach 65.

THE FACTS—Early retirement means that the employee retires at his own or the company's election, before reaching the normal retirement age. In some cases, the employee may decide to retire early, but the company must agree.

The 1956-59 study shows that 88% of pattern plans have specific provisions for early retirement. That's 26% over the 1953-55 study.

More than half of the pattern

plans (66%) permit the employee to retire early if he wants to and has met the prerequisites for early retirement. Most common stipulation for early retirement: age 60 and 15 years of service.

Nearly all (96%) conventional plans now have early retirement provisions. About 51% permit the employee to decide when he wants to retire, after he has met the early retirement prerequisites. In most cases, the prerequisites are a certain age (either 55 or 60) and a specified number of years. (This varies too widely to indicate an average.)

THE REASONS—Again, one reason for making it easier for employees to retire early is to build employee

"Companies adopt the 65-year-old retirement age for a very good reason."





"There are many good reasons . . ."

relations. A man knows he doesn't have to wait until he is 65 to qualify for a pension.

Many firms write early retirement provisions into their pension plans for another reason. It becomes easier to retire a man whose effectiveness has begun to diminish. For example, if a man is 55 and has 15 years' service, the company can say, "Mr. X, we think it's best for you and the company if you retire now. You're entitled to a pension now, so you won't have to worry too much about money."

"One of the chief reasons for making it easier for an employee to retire early with a pension is that it makes the pension plan more appealing to the employee. It helps in hiring and it helps to keep good people," says Bankers Trust Co.'s vice president in charge of pensions, Ralph W. Hemminger.

Disability retirement

THE TREND—Toward making it easier to qualify for disability retirement benefits. There is also a

continuing trend toward providing special pensions for totally and permanently disabled employees.

THE FACTS—When an employee is disabled, his disability pension is usually related to the amount of the normal pension which he has accumulated to date. Frequently, disability pensions are reduced by all or part of any public disability benefits the employee may receive. These include Workmen's Compensation and Social Security disability benefits.

However, more and more companies are tending to disregard the other payments an employee may receive, and granting him more money under their pension plans for total and permanent disability.

Another step being taken in both pattern and conventional plans is the reduction of age and service requirements to qualify for disability pensions.

THE REASONS—Relaxing requirements for disability retirement benefits is another way to make a pension plan more appealing.

Here's why companies are not subtracting government disability benefits from an employee's disability pension. Employees don't like to think that because they qualify for government benefits, their company pension might possibly be reduced.

Some employees wonder what will happen if they are disabled and can't perform the jobs they are accustomed to, when they might be able to perform another job. "We have no statistics on this," says Ralph Hemminger, "but there seems to be a tendency to grant an employee disability benefits if he cannot do the job to which he is accustomed, regardless of whether he can do another job or not. Again, this serves to make the plan look better to prospective—and present—employees."

Vesting

THE TREND—Toward making it easier for an employee to obtain a vested right to a pension.

THE FACTS—Vesting refers to the right of an employee to leave the service of his employer prior to the normal retirement age, without forfeiting his accrued pension.

Vesting can be provided in two ways.

1. It can be provided directly through a special vesting provision in the pension plan. In these cases, it is usual not to make the benefits available to the employee until his normal retirement age, even though he is no longer employed with the company. For example, an employee could leave the ABC Co. at age 55, but he would not begin to receive pension payments until he was 65.

2. It can be provided through an early retirement provision. Here, the employee begins to receive pension benefits as soon as he elects—or is permitted—to retire.

Eighty-two percent of the pattern plans in the latest study had vesting provisions. In the 1953-55 study, only 41% had such provisions. Age and service requirements to qualify for vesting in pattern plans are coming down.

Most conventional plans have vesting provisions. In the 1956-59 study, 90% gave an employee a

vested right to a pension, compared with 74% in the previous study.

THE REASONS—Employees are more conscious of—and placing more value on—their retirement years. They want to be sure that if they spend a certain amount of time with a company, they'll have a right to a pension. Firms recognize this desire, and are moving to meet it.

"Companies can't overlook the competitive benefits of a good pension program," says Ralph Hemminger. "If vesting makes a program attractive to employees, it makes sense that companies would adopt vesting provisions."

Pension benefits

THE TREND—In pattern plans, the trend is toward larger flat dollar benefits for each year of credited service, and away from benefits related to compensation. In conventional plans, the trend is markedly toward keeping pension benefits in line with the rising cost of living.

THE FACTS—Pattern plans show signs of providing benefits which are independent of Social Security payments. And there's a trend toward eliminating the maximum

limitation on the period of credited service used in determining benefits. This means increased benefits for longer service employees.

In conventional plans, here are several methods used to adjust pensions to rising living costs:

1. Revise pensions already accrued by relating them to present rates of compensation.

2. Increase benefit rates.

3. Eliminate or reduce Social Security offsets.

4. Adopt variable income plans or include an automatic adjustment of pension benefits to the cost-of-living index.

All the pattern plans in the latest study have minimum pensions. There is a trend toward raising the minimums and making them independent of Social Security payments.

About 44% of the conventional plans have minimum pension provisions, compared with 39% in the previous study. The trend in minimum pensions in conventional plans is toward the type based partly on an employee's compensation in his final five or 10 years of service.

There has been also an increase (from 6% to 15%) in the number of conventional plans that have this form of final average pay minimum pension.

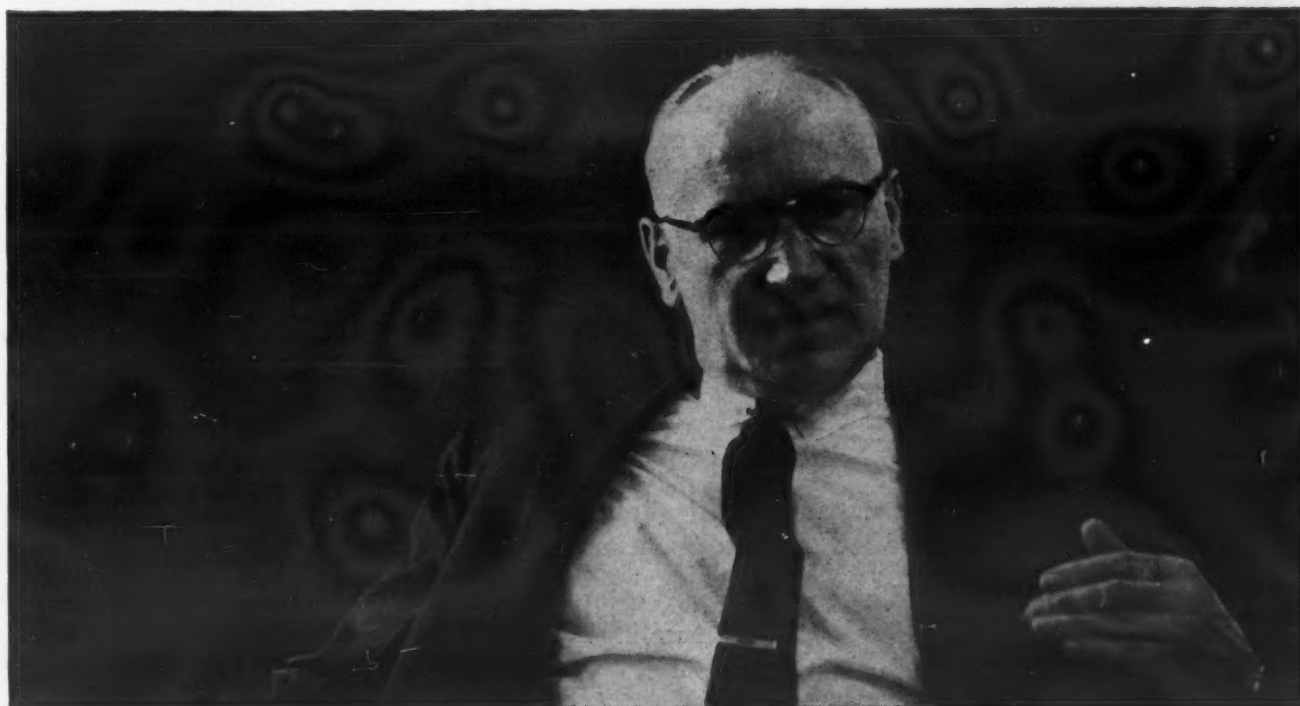
For maximum pensions, most pattern plans are limited to a modest amount, based on flat dollar rates for years of service.

In conventional plans, the moves are toward eliminating or liberalizing maximum pension limitations.

THE REASONS—Many pattern plans initially had minimum guaranteed pensions from which the whole or part of Social Security was deducted. In some of these cases, the company wound up paying very little or nothing, because of the increase in Social Security. Unions felt this was unfair, and negotiated to have benefit payments established, independent of Social Security.

Why don't pattern plans keep pension payments adjusted to the cost-of-living index? "They don't have to," says Ralph Hemminger. "Pattern plans are negotiated every so often by unions. The benefits are adjusted upward in negotiations. This has served to keep pattern plan

"... for keeping pension plans as up-to-date as possible."



Trends in pension plans



There are nine basic areas to consider when you're studying a pension plan. Here are the nine "ingredients" of most pension plans, plus a brief summary of the newest developments in each of them.

Employee coverage—The trend is toward covering nearly all employees in the company.

Eligibility requirements—The trend is toward making it easier for employees to join a pension plan.

Employee contributions—No change. As before, 55% of "conventional plans" require or permit employees to contribute money. Few "pattern plans" require or permit it.

Pension benefits—The trend in "conventional plans" is toward keeping benefits in line with rising living costs; in "pattern plans," toward larger flat dollar benefits for each year of credited service.

Normal retirement age—No change. Sixty-five is still the normal retirement age.

Early retirement—The trend is toward making it easier for employees to retire before they reach 65.

Disability retirement—The trend is toward easing the qualifications for disability retirement benefits.

Vesting—The trend is toward making it easier for an employee to obtain a vested right to a pension.

Method of funding—The trend continues toward using pension trusts as the chief method of funding retirement programs.

pensions well ahead of the cost of living."

In conventional plans, the most common way to keep benefits even with the cost of living is to update them periodically to the current level of wages and salaries. Suppose in the years prior to 1960, an employee earned an average of \$3,500 per year, but because of increases in the general level of wages, he is currently receiving \$5,000 per year for the same job. The pension accumulated for retirement of an employee from a \$3,500 job will be inadequate for an employee retiring from a \$5,000 job. To update the plan, it will be amended to recompute past benefits on the basis of the 1960 wage level.

Maximum pension payments in conventional plans are being raised. The reason: it gives firms a way to provide additional income for executives on a favorable income tax basis.

Method of funding

THE TREND—Continues toward using pension trusts as the chief method of funding retirement programs.

THE FACTS—In the most recent study, 79% of the pattern plans used the pension trust as a funding medium. The figure was 71% in the 1953-55 study.

For conventional plans, the pension trust also remains the predominant way to fund sizeable pension plans. In the new study, 69% of the conventional plans used the pension trust method exclusively, compared with 66% in the previous study. Plans using the insured method of funding represent 19% of the total, down from 23% in the 1953-55 study. Approximately 12% of the conventional plans use a combination of the insured methods and the pension trust.

THE REASONS—The pension trust is often the simplest and least expensive method of having a retirement program managed. Most pension trusts can get a better return on their investments and are able to offer a company a lower overhead.

The over-all trend is this: pension plans are giving employees—and employers—a better deal than ever before. ■

① ② ③ ④

Four questions that test your management organization

Answer these four questions fully and accurately. The process will take time and hard work, but the result will be a clear picture of the management strengths and weaknesses of your company. Experience shows that these questions will bring you to grips with the four chief elements of organization: goals, structure, staffing, and controls.

by **Carl W. Robinson**

Vice President, Barrington Associates, Inc.

— You can harness the full resources of your company if you tackle the problem of management organization planning as a whole, not in segments.

It takes time and work to achieve an integrated approach to management organization planning. But the results are worth it. Says one company president: "We got more than mere realignment of structure and better definition of responsibility when we undertook a full study of our organization. I had the feeling that in the process of objective analysis of all aspects of the problem, our management group grew three feet taller."

Four direct questions have been found to serve well when a company wants to take a sound, comprehensive look at organization planning. Apply these questions, insist on accurate answers, and you'll be surprised how clear the picture becomes.

① WHERE ARE WE GOING?

What are the objectives we should aim toward? Are these goals spelled out in regard to sales, profits, research and other aspects? Are the goals realistic? Can we measure performance against them?

■ Goal-setting is a tough job, especially when you try to reduce goals to writing. If the goals are too low, they fail to place full demand on the potential of the business. If the goals are set too high, they can contribute to wasteful expenditures by reaching for the unattainable.

When you put company goals down on paper, you "stick your neck out." That's why this step calls for deep planning—the kind of planning that has brought profits to many companies, both large and small.

For example

Management in one industrial firm made a shrewd general appraisal of its industry and the company's potential, then decided it should be able to double its volume in five years. But the board of directors asked for this goal and supporting facts in writing.

Faced with the prospect of living with an unequivocal, written goal, management paused for a more exacting look. Clearly the general facts pointed to the possibility of doubling volume in five years. Man-

ufacturing and financial resources were no problem. But it wasn't clear just where and how the necessary increase in sales could be developed. Some of the questions they found that required answers were—

1. What is the potential market for our products in each year during the five years ahead? By states? Regions? For the nation as a whole?

2. What part of this will be replacement? What part a result of new sales?

3. What share of the total market potential of each major product line can be obtained at a sound profit, taking into account competition, prices, market practices and corporate policies?

4. What channels of distribution will generate best results in developing the desired shares of the market for each major product line?

5. What home office and field marketing organizations and concentration plans are necessary to encourage sales through the chosen channels of distribution?

6. What marketing policies, practices, controls, and training will be required?

7. What types, and prices of products will be required?

8. What short- and long-range programs and timing will be necessary to accomplish the transition from present to projected levels of operation?

A full marketing study was necessary to develop answers to these

questions. But, when completed, the company was in a position to set realistic volume objectives and to pinpoint what steps would have to be taken to achieve these objectives at desired profit levels.

2 Are we organized to get there?

What responsibilities are held by key people? Does authority accompany responsibility? Is there coordination between divisions? Is management's emphasis in the right areas? Do we have enough flexibility to meet changing conditions?

■ Certain organizational changes may be called for in your business—changes in structure, realignment of responsibilities, better definition and communication of policy, stronger management controls, better executives in key spots.

To uncover the need for such actions calls for skillful executive position analysis, problem-probing and evaluation. Well defined goals form the backdrop for this analysis.

One caution: don't be overly influenced by the latest "fad" in organization; it may not fit your company.

For example

■ Companies rushed to embrace the recent trend of decentralization. Many are now sliding off the bandwagon, and going back to recentralization.

What's behind this sawing back and forth? In many cases the answer lies in lack of well defined objectives, and failure to evaluate all the interrelated facts of management organization before taking action.

Some firms that rushed into decentralization failed to recognize that it involves more than geography or product groupings. It really means decentralization of management responsibility. To be successful this requires parallel patterns of management control, plus strong, balanced management capacity in the top positions of each

decentralized organizational unit. These needs are not always easy to fill.

In some cases, you get the best results, not by decentralizing, but by improving the existing organization.

On the other hand, some of the companies now considering recentralization might find that their decentralized organization is right for them—provided it is balanced with:

■ Sound management controls.

■ The right men in the key spots of their decentralized organization.

3 Do we have the right people to do the job?

Does our controller fully understand modern profit planning and control? Can that brilliant engineer, who loves solitude, head the R&D operation? Are we developing managers now so we'll have them when we need them?

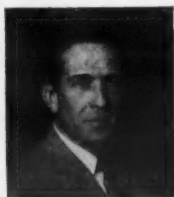
■ Much of the "art" of management is related to the ability to develop the right people and place them in the right positions under conditions that stimulate top performance.

During the '50's, when the severity of the executive shortage was fully realized, executive development programs enjoyed great popularity. Many of these generated more paper and random motion than practical results. Costs often overshadowed results. The frequent verdict: reduce or eliminate the program.

It's known that executive development efforts commonly fail because they overlook the following hard facts:

■ In the final analysis, all executive development is self-development. The best that seminars and other study programs can do is encourage the man to develop himself. The best management development devices are those that create a climate for self-improvement at minimum cost and effort for all concerned.

■ Real executive development occurs on the job, or is directly keyed



About
the
Author

Carl W. Robinson is a graduate of Miami University and the University of Michigan. Following a number of management positions with American Steel and Wire Co., he joined Barrington Associates, Inc. in 1942. He was elected vice president and director in 1949. At Barrington, he directs general management assignments for large firms including work in organization planning, management controls and long-range development problems.

to the job. It is when a growing executive puts good ideas to work that real management development takes place.

Repeated experience proves that the best backdrop for management development is a well conceived organization plan. With such a plan you determine:

- Specific responsibilities for each position in the management structure.
- Proper working relationships between positions.
- What kind of man you need in each job—now and in the future.
- What kind of self-development efforts will provide such men.

Q Are our management controls adequate?

Does each executive have the facts he needs to measure current performance against planned goals? Is the information coming fast enough to be used for timely action, or is the essential information buried in detail and coming to light after the fact in an effort to find out what went wrong?

■ Management control means having your finger on the pulse of the truly significant factors—the things that determine success or failure.

The facts that provide this kind of control are not the same in every company—or in every division of the same company. Thus, objectives and the actual distribution of responsibilities must be used as the starting point for sound analysis of management control requirements.

With this starting point, it becomes possible to determine what control information is required, by whom, in what form, and at what frequency. Control information designed in this manner will:

- Provide well defined dollar or performance goals.
- Summarize details in a form that will conserve executive time.
- Highlight trends or deviations from plans.

■ Indicate the nature of corrective action needed.

■ Create better decisions faster.

Summary

Management organization is not a matter of boxes and titles. It is not just a theoretical necessity that must be dealt with when problems come up as to who is supposed to do what.

Management organization planning is a positive, creative tool of management which, when handled with skill and imagination, can be used to create growth and profits.

If you haven't recently tested your company's organization for its strengths and weaknesses, try using the four foregoing questions to do so now.

These questions will help you re-

move the vagueness from management organization. They will help you come to grips with its four chief elements:

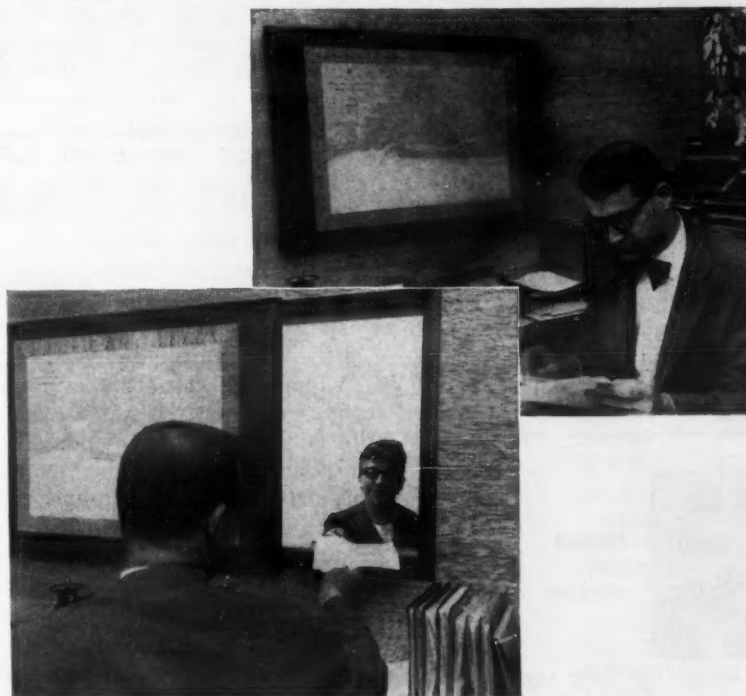
1. Establishment of specific and realistic *objectives*, so you know what you are organizing to accomplish.

2. Planning a management *organization structure* and distribution of responsibility which enables the company to move flexibly and aggressively toward these goals.

3. *Staffing* the organization structure with executives qualified for their respective responsibilities.

4. Providing each executive with the *tools of control* which enable him to know what is going on and to keep his segment of the organization functioning smoothly. ■

HOW TO "REACH" YOUR SECRETARY INSTANTLY



■ This executive can "reach" his secretary instantly, not with a buzzer but simply by sliding back a panel and addressing her face to face. The panel appears as a framed map. When closed it provides complete privacy. When open it permits the man and his secretary to work together as if they were sitting together across a desk.

The sliding panel is shown here in the office of Elliot Doft, vice president of Princeton Mills, division of Burlington Industries. ■

Watch out for these

Some insurance plans offer more pitfalls than protection. But the salesman who's trying to make a fast sale skirts the drawbacks. He'll tell you only about the plan's advantages. Here's how to spot several potentially dangerous sales approaches—plus specific reasons why you should steer clear of them.

by **Frank Ridge**
Chartered Life Underwriter

Picture this all too likely situation.

An insurance salesman walks into your office and says, "Mr. Prospect, how would you like to buy \$100,000 of life insurance and have Uncle Sam pick up half the tab?"

You're interested, of course. Anybody would be. But don't take your pen out yet. An approach like this often signals one of two dangerous insurance gimmicks: the bank loan plan or the minimum deposit plan.

Both of these methods of buying

insurance have built-in hazards. The trouble is, like most "good deals" they look very appealing on the surface. The pitfalls don't show up until it's too late—when the prospect has signed up.

Naturally, the smooth talking salesman won't mention the drawbacks. Once he knows you're interested, he takes out the plan he's trying to sell and illustrates the advantages it has.

This salesman doesn't bother with any careful analysis of your financial situation. It takes too much time and work. He's interested in a fast sale—at your expense.

Bear in mind that the vast majority of insurance salesmen are honest, and conscientiously try to give you the best possible insurance plan for your money. This article is aimed at the small but insidious group of insurance salesmen who are not fussy about how they sell insurance—so long as they sell it.

Here are detailed explanations of how bank loan and minimum deposit plans work, plus specific reasons why you should avoid them.

Bank loan plan

The bank loan plan generally uses a 10-pay life contract; it is fully paid after 10 premium payments. It can be a participating policy, which

means that it pays dividends, or non-participating with no dividends. Bear in mind, however, that dividends are never guaranteed.

The prospect in this example is 40 years old. His annual premium for a \$100,000 policy, as shown on the chart, p. 47, is \$7,230. (This was a typical rate for this type of contract several years ago in one company.)

The man borrows \$7,230 from a bank to meet the premium. Interest on the loan is 4% or \$289.20. Assume the man is in a 50% tax bracket. (Salesmen who recommend this plan nearly always assume this. Of course, if a man is in a lower bracket, his tax deduction is not as high.) The net interest charge after a 50% tax deduction would be only \$144.60 or half of \$289.20.

In the first year, the policy pays a dividend of \$304, which means the prospect would gain \$159.40 (\$304 minus the \$144.60 interest payment).

The policy has a cash value of \$4,727 the first year. Since the man borrowed \$7,230 from the bank, he would have to put up \$2,503 of additional collateral.

The net insurance protection this first year is not \$100,000, but \$92,770 (\$100,000 face amount of policy less \$7,230 loan).



About the author

Frank Ridge has long experience in underwriting life insurance. In 1957, he was awarded Chartered Life Underwriter designation by the American College of Life Underwriters.

He is a former director of the Washington, D. C., chapter of American Society of Chartered Life Underwriters; 2nd vice president of District of Columbia Life Underwriters Assoc.

He is currently a life and qualifying member of the Million Dollar Round Table.

insurance gimmicks

This procedure is repeated the second year. Again the man borrows the \$7,230 premium from the bank. The cumulative loan is now \$14,460. The interest charge (4% of \$14,460) is \$478.40, which means the man has a net cost of \$289.20 (after his 50% tax deduction).

Again the dividend, \$397, exceeds the interest payment, so the man gains \$107.80. The cumulative gain so far is \$267.20 (\$107.80 plus \$159.40).

Note that the cash value of the policy increases from \$4,727 to \$11,080—a jump of \$6,353. The additional collateral needed this year to match the loan of \$14,460 is \$877. That means the man, at the end of the second year, has posted \$3,380

of collateral (\$3,380 plus \$11,080 of cash value equals \$14,460).

The net insurance protection the second year has dropped to \$85,540. So the procedure continues each year.

As shown in the chart, by the fifth year the dividends are no longer enough to cover the net interest cost. But it isn't until the eighth year that the man has to start paying his own money for interest charges. Up to the eighth year, his cumulative gain (dividends minus interest charges) would cover the interest payments.

The policy is paid up in 10 years, at which time the man will have a loan of \$72,300 against his insurance policy.

His net protection will have dropped to only \$27,700, and will continue at this level.

Also, at the end of 10 years the cash value of the policy is \$63,824.00. The man still has to keep \$8,476 posted in collateral. He has to pay a net interest charge of \$1,446 a year, less the dividend, for only \$27,700 worth of insurance.

The cash value continues to rise, even though the premium payments have stopped. Therefore, the collateral required is being reduced each year until finally in the nineteenth year, no collateral will be required. Once the cash value equals the loan at the bank, he can drop the policy without having to pay any money of his own. The

\$100,000 BANK LOAN PLAN

| Age 40 | | 10 Payment Life | | | | | Annual Premium \$7,230.00 | | |
|--------|--------------------|----------------------------|----------------------|---|-------------------------|-----------------|---------------------------|-------------|---------------|
| Year | Loan interest @ 4% | Net interest after 50% tax | Non-taxable dividend | Net interest cost or gain after dividends | Cumulative cost or gain | Cumulative loan | Cash value | Collateral | Net insurance |
| 1 | \$ 289.20 | \$ 144.60 | \$ 304.00 | \$ 159.40 | \$ 159.40 | \$ 7,230.00 | \$ 4,727.00 | \$ 2,503.00 | \$ 92,770.00 |
| 2 | 578.40 | 289.20 | 397.00 | 107.80 | 267.20 | 14,460.00 | 11,080.00 | 3,380.00 | 85,540.00 |
| 3 | 867.60 | 433.80 | 489.00 | 55.00 | 322.40 | 21,690.00 | 17,566.00 | 4,124.00 | 78,310.00 |
| 4 | 1,156.80 | 578.40 | 582.00 | 3.60 | 326.00 | 28,920.00 | 23,691.00 | 5,229.00 | 71,080.00 |
| 5 | 1,446.00 | 723.00 | 674.00 | 49.00 | 277.00 | 36,150.00 | 29,962.00 | 6,188.00 | 63,850.00 |
| 6 | 1,735.00 | 867.60 | 765.00 | 102.60 | 174.40 | 43,380.00 | 36,386.00 | 6,994.00 | 56,620.00 |
| 7 | 2,024.40 | 1,012.20 | 856.00 | 156.20 | 18.20 | 50,610.00 | 42,973.00 | 7,637.00 | 49,390.00 |
| 8 | 2,313.60 | 1,156.80 | 947.00 | 209.80 | 191.60 | 57,840.00 | 49,733.00 | 8,107.00 | 42,160.00 |
| 9 | 2,602.80 | 1,301.40 | 1,035.00 | 266.40 | 458.00 | 65,070.00 | 56,679.00 | 8,391.00 | 34,930.00 |
| 10 | 2,892.00 | 1,446.00 | 1,122.00 | 324.00 | 782.00 | 72,300.00 | 63,824.00 | 8,476.00 | 27,700.00 |
| 11 | " | " | 692.00 | 754.00 | 1,536.00 | " | 64,813.00 | 7,487.00 | " |
| 12 | " | " | 705.00 | 741.00 | 2,277.00 | " | 65,803.00 | 6,497.00 | " |
| 13 | " | " | 719.00 | 727.00 | 3,004.00 | " | 66,792.00 | 5,508.00 | " |
| 14 | " | " | 733.00 | 713.00 | 3,717.00 | " | 67,781.00 | 4,519.00 | " |
| 15 | " | " | 746.00 | 700.00 | 4,417.00 | " | 68,767.00 | 3,533.00 | " |
| 16 | " | " | 759.00 | 687.00 | 5,104.00 | " | 69,750.00 | 2,550.00 | " |
| 17 | " | " | 771.00 | 675.00 | 5,779.00 | " | 70,729.00 | 1,571.00 | " |
| 18 | " | " | 783.00 | 663.00 | 6,442.00 | " | 71,703.00 | 597.00 | " |
| 19 | " | " | 795.00 | 651.00 | 7,093.00 | " | 72,670.00 | 370.00— | " |
| 20 | " | " | 806.00 | 640.00 | 7,733.00 | " | 73,630.00 | 1,330.00— | " |
| Age 65 | | | | | | | 78,276.00 | | |

All dividend calculations are based on last year's scale.

cash value of the contract would pay the bank the amount due it.

Minimum deposit plan

The minimum deposit plan is essentially the same as the bank loan plan, with a few differences. The cash value of the policy is used as the collateral for the loan, and the money is borrowed from the insurance company rather than the bank. No additional collateral has to be put up.

Here's how it works.

In this example the annual premium at age 40 is \$2,870. A loan value of \$990 is available at the beginning of the first year. Therefore, the purchaser must pay out—or

make a minimum deposit of—\$1,880 (annual premium of \$2,870 minus loan of \$990).

The annual dividend is not actually paid—nor is the interest due—until the end of the first year. So the net annual payment for the first year is \$1,880 for net protection of \$99,010 (\$100,000 minus loan of \$990).

In the second year, the loan value has increased by \$2,436. The net premium required is \$2,870 less the dividend of \$175, or \$2,695. Therefore, the minimum deposit the man must make is \$259 (\$2,695 minus the loan of \$2,436). The total loan is now \$3,426.

The first interest charge of \$50

(5% of \$990) is due, or \$25 after the 50% tax deduction. The total amount the man pays out in the second year is \$284, and the protection is reduced to \$96,574 (face amount \$100,000 less cumulative loan of \$3,426).

The same procedure continues for 20 years or longer, depending on the policy. The chart above shows the projection for 20 years. At the end of 20 years, the protection has been reduced to \$59,568; the loan totals \$40,432.

Note that after the fourteenth year, the loan values and the dividends give the man more than enough to cover the premium. Therefore, he need make no more

\$100,000 MINIMUM DEPOSIT PLAN

Ordinary life Age 40

| Beginning of Year | Annual premium | Annual dividend | Annual increase in loan value | Minimum deposit required | Cumulative loan | Gross interest @ 5% | Net interest after 50% tax bracket | Net annual payment | Net insurance protection |
|------------------------------------|----------------|-----------------|-------------------------------|--------------------------|-----------------|---------------------|------------------------------------|--------------------|--------------------------|
| 1 | \$2,870 | \$ — | \$ 990 | \$1,880 | \$ 990 | \$ — | \$ — | \$1,880 | \$99,010 |
| 2 | " | 175 | 2,436 | 259 | 3,426 | 50 | 25 | 284 | 96,574 |
| 3 | " | 231 | 2,452 | 187 | 5,878 | 171 | 86 | 273 | 94,122 |
| 4 | " | 287 | 1,992 | 591 | 7,870 | 294 | 147 | 738 | 92,130 |
| 5 | " | 344 | 2,004 | 522 | 9,874 | 394 | 197 | 719 | 90,126 |
| 6 | 2,870 | 401 | 2,018 | 451 | 11,892 | 494 | 247 | 698 | 88,108 |
| 7 | " | 459 | 2,029 | 382 | 13,921 | 595 | 298 | 680 | 86,079 |
| 8 | " | 517 | 2,038 | 315 | 15,959 | 696 | 348 | 663 | 84,041 |
| 9 | " | 575 | 2,045 | 250 | 18,004 | 798 | 399 | 649 | 81,996 |
| 10 | " | 634 | 2,051 | 185 | 20,055 | 900 | 450 | 635 | 79,945 |
| 11 | 2,870 | 694 | 2,055 | 121 | 22,110 | 1,003 | 502 | 623 | 77,890 |
| 12 | " | 753 | 2,057 | 60 | 24,167 | 1,106 | 553 | 613 | 75,833 |
| 13 | " | 809 | 2,056 | 5 | 26,223 | 1,208 | 604 | 609 | 73,777 |
| 14 | " | 865 | 2,054 | -49 | 28,277 | 1,311 | 656 | 607 | 71,723 |
| 15 | " | 920 | 2,050 | -100 | 30,327 | 1,414 | 707 | 607 | 69,673 |
| 16 | 2,870 | 976 | 2,043 | -149 | 32,370 | 1,516 | 758 | 609 | 67,630 |
| 17 | " | 1,029 | 2,035 | -194 | 34,405 | 1,619 | 810 | 616 | 65,595 |
| 18 | " | 1,082 | 2,023 | -235 | 36,428 | 1,720 | 860 | 625 | 63,572 |
| 19 | " | 1,132 | 2,010 | -272 | 38,438 | 1,821 | 911 | 639 | 61,562 |
| 20 | " | 1,177 | 1,994 | -301 | 40,432 | 1,922 | 961 | 660 | 59,568 |
| End of 20 years | | 1,226 | | | | 2,022 | 1,011 | | |
| Summary | | | 5 Years | | 10 Years | | 15 Years | | 20 Years |
| Total Payments | | | \$3,894 | | \$7,219 | | \$10,278 | | \$13,427 |
| Interest Less Dividend—End of Year | | | 154 | | 192 | | 218 | | 215 |
| Net Payments | | | 3,740 | | 7,027 | | 10,060 | | 13,212 |
| Equity At End of Year | | | 494 | | 1,003 | | 1,516 | | 2,022 |
| Net Cost | | | 3,246 | | 6,024 | | 8,544 | | 11,190 |
| Average Annual Net Cost | | | 649 | | 602 | | 570 | | 560 |

All dividend calculations based on 1958 dividend scale and are neither estimates nor guarantees.

minimum deposits. The only money he pays out of his pocket is the interest on the increasing loan.

The summary at the bottom of the minimum deposit plan chart shows the final net cost at the end of five, 10, 15 and 20 years. It also shows the average annual net cost.

Dangers

The big danger with these two plans is that there are too many "ifs."

■ The figures work out well only if the projected dividends shown are actually paid. It's common knowledge that dividends on a participating policy are not guaranteed.

■ He'll continue to get a break on the interest charges only if he remains in a 50% or better tax bracket, and if the Internal Revenue Department continues to accept the deductibility of the interest charges. (There are now some cases pending where this issue is at stake.)

■ In the bank loan plan, it will be advantageous if the bank doesn't decide to call in the loan or raise the interest. In fact, interest rates have increased since the chart was prepared. It is doubtful whether you can obtain a loan of this nature at 4% now.

■ This cheaper way of buying insurance pays off only if the man puts into other investments the money he is theoretically saving on his insurance premiums—and these other investments work out.

There's one big, final argument against these insurance plans.

Suppose the insured man's income drops off for two, three or more years. No one can guarantee that it won't. Interest payments could be quite substantial, and he might not be able to meet them. He'd probably have to drop the policy.

Chances are the market would be off then, too. This is not a good time to sell stock to try to meet the premiums. But thanks to the salesman's eagerness to make a fast dollar, and his own culpability, the buyer is stuck.

He has two alternatives, neither of them good. He has to sell assets in a declining market, or he has to give up his insurance program at a time when he needs it.

In some instances, however, these insurance plans might be worthwhile.

For example, a young executive might have a real and legitimate need for \$100,000 of life insurance. He can't afford the premiums on an ordinary life policy. But he expects his income to rise sufficiently in three or four years to be able to meet the premiums.

He could buy lower-cost term insurance and convert it later. But this is more costly, in the long run, than if he uses the bank loan plan to finance the premiums on the ordinary life policy for the period of financial stress. When his income increases, he can take on the normal premium load and begin to repay the bank loan.

Generally, the bank loan plan and the minimum deposit plan are good only when they solve special problems such as this one. They are not recommended otherwise, for the reasons listed above.

Consider what would happen if the man had been sold insurance properly. He could have bought the \$100,000 ordinary life policy for \$2,870 a year at age 40. If a setback occurred 10 years later, he'd actually have \$21,058 available in guaranteed cash or loan values. With that kind of reserve, he could keep his insurance in force until he rode out the slump. If he'd left his dividends to accumulate during this 10 year period, he'd have an additional hedge.

There's no doubt about it. Buying insurance the right way is harder. But this is the advantage: the risks are reduced enormously. Whether the man's income—or the economy—takes a downturn, he still has his cash values to fall back on in emergencies, or to carry the premium during lean years.

Other pitfalls

There are other questionable insurance sales approaches to watch out for.

Be wary of the salesman who recommends that you drop existing permanent insurance that you've had for some time, and replace it with level or decreasing term insurance. Premiums for term insurance are lower than for permanent, and these salesmen tell you to put

the difference in premium payments into equity investments.

Frankly, this man is using dishonest techniques, and he knows it.

First of all, you can never get a better rate on your insurance than the one on that old policy, unless you can figure out a way to move back your age.

Secondly, the older policy costs you very little for protection. That's because your annual increase in cash values, plus dividends, if any, will be very close to the actual premium. You don't have to decrease your protection by borrowing outside money to pay your premium.

The third point is that settlement option rates on older policies are generally much more favorable than those available on more recent contracts.

Here's the last reason why this salesman's proposal is not completely honest. It is very unlikely that your need for insurance protection will ever be eliminated. If you substitute decreasing term insurance for permanent, it means that you have bought a wasting asset—one which decreases to nothing.

What about level term? True, the coverage doesn't decrease, but once the period covered is over, so is your protection.

There's another reprehensible practice of which a few life underwriters are guilty. That is rebating—a practice whereby the agent pays you back part of his commission, either in money or goods.

Some executives ask, why should I care if the agent is willing to save me some money? The fact is this offense is punishable by fine and revocation of license. The agent knows he is breaking the law. No responsible person cares to do business with that kind of man.

Responsible insurance salesmen recommend an insurance plan *only* after they have carefully analyzed your financial and family picture; *only* after they have a clear idea of your protection needs, retirement needs and tax needs.

The salesman to be wary of is the one who doesn't waste time with any such analysis. His only interest is in the "fast buck." Chances are the plan he recommends has too many risks in it—risks you can't afford to take. ■

How to find out what your competitors are up to

Some men will resort to elaborate schemes—even use of professional spies—to find out what their competitors are planning. But you can easily collect a great deal of competitive information—without resorting to questionable methods. This article shows how and where to pick up timely facts that can be pieced together to give you a picture of what the competition is doing—and planning.

There's no doubt about it: it helps to know what your competitors are up to.

How do you find out what the competition is planning? There are methods you can use that are completely aboveboard. All you have to do is pick up the information your competitors let out in the normal course of their business activities.

For example, a manufacturer spotted several pictures of his competitor's production line in a trade magazine. From the pictures, the manufacturer was able to determine what made his competitor's process efficient. He incorporated several of the measures into his own plant.

In another case, an automotive parts maker learned what a competitor's new marketing plans were in a conversation with a distributor who sold for both companies.

Facts show that business spies are being used extensively in industry today. Last month, *MANAGEMENT METHODS* published an article on how companies can protect themselves against business espionage. But you don't need to turn to

unethical methods to uncover competitive information. By knowing where and how to look, you can collect a wealth of information.

There are two main sources to tap for competitive data: personal contacts and published material.

Personal contacts

You can get most of your information about competitors through personal contacts within your industry. That's what the experience of hundreds of companies shows.

Salesman contacts. Salesmen can collect competitive data in several ways. One way is to have them keep their ears open when talking to distributors, dealers and customers. It's not uncommon for either dealers or distributors to mention a competitor's operations in the course of conversation.

One tire and rubber company sales manager frankly reports: "Our dealer-salesmen attend competitors' sales meetings as well as our own. Often, we'll ask them what went on. We know our competitors ask the same dealers about our sales meetings."

A consensus of over 200 top ex-

ecutives showed that companies expect salesmen to gather competitive information as part of their selling duties. The survey also showed that the most useful data collected by salesmen is pricing and produce information.

1. Pricing information. Competitors' price changes should be discovered quickly. Salesmen in the field are in the best position to report pricing changes.

Some competitive salesmen cooperate with each other and exchange new prices lists. Sometimes the transfer of information takes place through wholesalers or customers.

One ingenious salesman got himself on a competitor's mailing list. This way, he gets sales bulletins and price changes as soon as they come out.

There's one thing to watch out for, however. Make sure your salesmen don't give out more information than they get. And be sure they're not giving out information that you're trying to keep under wraps.

2. Product information. One corporation has its salesmen send in a



report of any problems customers have with a competitor's product. Then it reacts quickly to make sure the same problems do not occur with its own products.

A road machinery firm likes to know about unusual uses to which competing products are put. Each salesman is given a roll of 35mm film on every trip he takes, business or personal. He is asked to take pictures of any competitors' equipment that he sees. "By analyzing the ways our competitors' machinery is used, we can strengthen our own marketing program," says the marketing vice president.

Salesmen can also come through with other kinds of vital information, if they keep their eyes and ears open. Consider this example.

One Friday afternoon, a salesman called the home office to report that the competitor's employees had just walked out on a wildcat strike.

Top management decided to continue plant operations over the weekend. It was able to supply several big customers of the struck plant. And by producing all weekend, it was able to build up a backlog for the heavy rush of orders that was sure to come first thing Monday morning.

Executive contacts. Executives of several leading companies believe

that the best way to collect information is to "go directly to the competition."

One steel executive told about his relationships with men in other companies. "A lot of them are my personal friends. We often exchange ideas about new processes or alloys. We're not losing anything, and neither are they. Our company still has the advantage of its particular skills and experience."

Some firms like their executives to have periodic, informal get-togethers with executives in competitive companies. It's one good way to keep tabs on the competitor's overall operation, these firms report.

One company goes even further, with a method that fringes on questionable practice. Says one of its top executives: "I'll read all the latest published information about the competition. I try to find out how much money it has to spend, what the trend of its past moves is, and how many and what kind of people are in the organization."

"One day I'll have lunch with one man from the competition. A second man of ours will have lunch with another man from the same firm . . . perhaps not on the same day. The clue is to talk with both men regarding the same type of company activity. Afterwards, we'll

get together and talk over the results. If the two separate conversations were well enough planned, we can make startlingly accurate deductions as to what's up."

Contacts at conventions. You can often get important competitive data at trade conventions, seminars, scientific meetings and the like.

At trade conventions, company representatives are usually told not to discuss any new developments unless the company has patent protection. However, scientists often like to discuss the work of which they are so proud, particularly if they are talking to men who understand them. The home office directions to "get more information than you give" are sometimes forgotten in the rush of enthusiasm about pet projects.

A paper manufacturer reports that his research department collects extensive competitive information at conventions. "Our method of gathering information at conventions happened almost by accident," he said. "Our scientists would start talking to men in comparable jobs in other companies. Maybe two or three of these men would go out for a drink, or to dinner. We found that scientists and researchers talked much more freely when they were alone, when they were talking to men with whom they felt a cer-

tain kinship. Now our researchers make a point of buttonholing their counterparts in competitive companies."

If your researchers are going to glean information from counterparts in competitive companies, don't overlook this fact: your men can get carried away in a discussion as easily as the competition's men can. Urge them to use restraint when discussing research projects.

Raytheon Co.'s Microwave & Power Tube division looks for other kinds of data at trade shows. It wants to know just how the competitors manage their exhibits. At the last Western Electronic Show, a photo-reporter produced detailed information on 13 of Raytheon's big competitors. Snapping pictures and taking notes, he brought back facts on how the competitors set up a booth, how they staffed it, the attention they attracted, and how new products were featured. The reporter also gathered all available competitive announcements, brochures and price lists.

A Raytheon spokesman says: "We are now better equipped to meet and beat competition at future trade shows."

Published information

There are four kinds of published sources from which you can glean competitive intelligence: trade publications, annual reports, government publications and independent research reports.

Trade publications. Almost every industry has trade publications in which information is gathered and tabulated.

One food company executive said recently, "Most companies have their tongues hanging out to find out what the competition is up to. They'd be surprised to discover how much valuable information is lying quietly in the magazines on their desks."

Annual reports. The major use of annual reports—from a competitive standpoint—is to predict or identify longterm trends. Most companies admit that there is little that can be taken from another company's annual report.

There are firms, however, that

analyze their competitor's annual reports carefully.

Government publications. Few companies get any direct competitive information from government publications. The main criticism of government statistics is that they are "... usually far behind."

However, some government publications are helpful. A machine tool company said that it used Department of Commerce, Bureau of Census publications such as *Facts for Industry-Tool Sales*. It gives breakdowns of domestic and foreign sales and of exports and imports of capital goods equipment.

Other published sources. Many independent business surveys are available for a price.

There is, for example, much to be learned from such private publications as Nielsen's *Food and Drug Index*, Market Research Corp.'s *Consumer Panel Reports* and Audit and Survey's *National Tool Market Audit*. A summary of brand preference surveys made up by more than 20 newspapers is available in *The Consolidated Consumer Analysis*.

Questions to ask

Collecting competitive information is really a part of long and short range planning. The company that has a good idea of what the competition is doing—or is planning to do—can plan its own strategy better.

There are three areas to examine closely once you have decided to collect competitive intelligence.

1. What information do I need? Determine exactly what kind of in-

About this article

One source for this article was the report, *Competitive Intelligence: Information, Espionage, and Decision-Making*. This 78-page report was prepared by seven students at the Harvard University Graduate School of Business Administration.

Normal and controversial methods of collecting competitive information are covered extensively in the report. There is also a chapter on patent infringements and one on how to set up a company security program.

Copies of the report are available at \$10 from C. I. Associates, 25 George St., Watertown, Mass.

formation you want. Too often, a salesman is asked to "find out as much about AB Co.'s operations as you can." He has no idea of what information is really wanted. He may waste his time—and yours—gathering data you can't use. Consider the potential effectiveness of this question: "What type of discount structure does AB Co. have in the—area?" Clearcut directives improve your chances of getting clearcut information.

Decide which areas are important to decision making. In the automobile industry, manufacturers are continually trying to uncover the competition's new styles and designs. Most food products are sold primarily on the basis of price. In pharmaceuticals, research and development are key decision making areas.

2. How do I get this information?

Once you know what you want, you have to know how to get it. Ask yourself: How much of this information can my salesmen supply? How cooperative are my counterparts in competing organizations in exchanging this type of information? What specific facts can I get from published statistics and data developed by my industry's trade associations? In other words, analyze your total present sources of information.

These sources may not be able to supply enough information upon which to base a really sound decision. Then you have to decide whether it is that important to get additional data. Or should you base your decision on information at hand? You may not want to spend any more on information collection methods than you have already budgeted.

In addition to cost considerations, you have to decide how far you will go to collect competitive intelligence. This is when you must determine your own ethical standard. Will you conform to your industry's ethical standard, attempt to raise the standard or deviate from it to satisfy your objectives?

3. How is this information coordinated? An effective competitive intelligence plan requires one important thing: a central point of co-

Continued on page 70

a way
to cut
costs:

Centralize office work

Huge savings may result if you round up fragmented clerical functions and consolidate them. In fact, clerical centralization can often stop the spiral of overhead costs. Could your company profit by consolidating office work? Or would this step only add confusion and delays? Here's how to analyze your firm's clerical functions with an eye to saving money by centralizing them.

by D. Ronald Daniel, McKinsey & Co., Inc.

One big way to cut operating costs is to centralize office work. The savings are often substantial.

Office operations represent a fertile field for cost reduction. For example:

■ A major electronics company uncovered a savings potential of \$6 million in its various divisions.

■ A small food processor recently completed a program that cut its General and Administrative expenses by 16%.

■ An oil company is in the midst of a hard-nosed reappraisal of its sales department's clerical activities. Anticipated result: a \$5 million payroll reduction.

The most popular approaches to clerical cost reduction have been

work simplification and work measurement, office mechanization and electronics.

Now companies are also seeking to reduce office costs by centralization, or at least consolidation.

There is an unmistakable trend in this direction. Terms like service center, central accounting, and central service office are creeping into management's vocabulary.

■ An oil company in Canada centralized its credit card accounting, then its sales department accounting. Result: an immediate payroll reduction of about 15%.

■ An insurance company recently regrouped its accounting and policyholder service functions. Result: clerical work formerly done in more than 200 agencies now done faster

and at lower cost in 35 large clerical units.

■ An under-\$10 million manufacturing business trimmed its headquarters clerical staff from 21 to 15 by creating a pool arrangement to replace a system of assignments to individual executives.

What are the advantages of clerical centralization—for your company?

What are the disadvantages?

How can you determine the feasibility of centralizing or consolidating clerical work?

To find out, let's look at the facts.

The key: more work, less cost

When clerical work is consolidated, productivity (in terms of output per worker) can be in-

Figure 1a

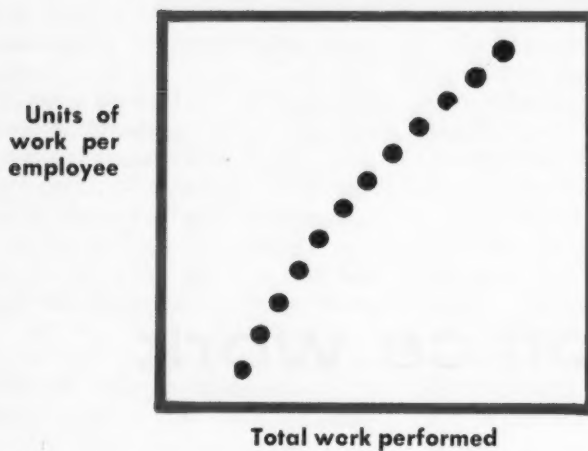
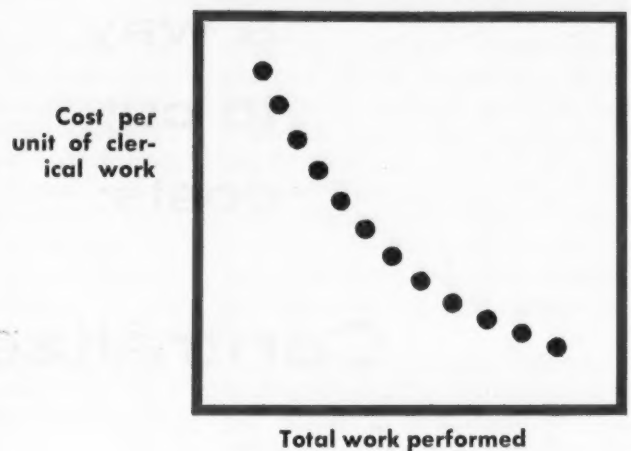


Figure 1b



creased. Or, to state the premise conversely: cost per unit of clerical work performed can be decreased. Graphically displayed, the premise appears as shown in Figure 1.

It's easy to see why clerical productivity usually goes up as the volume of work goes up. There are at least five reasons:

1. More specialization. More work permits more specialization, which increases productivity. In a small clerical unit, a clerk may perform 10 or 12 different functions, and never really become proficient at any of them. In a larger unit, she would probably specialize in just one or two jobs, and probably develop special skill and speed.

Some clerical chores, of course, are so simple that specialization contributes little or nothing to pro-

ducing. In fact, for a really dull job, specialization can lessen productivity and increase errors.

2. Lower proportion of setup time. When clerical work is centralized, it is usually possible to lengthen the job run, thus reducing the proportion of non-productive time used for make-ready.

3. Better scheduling. Small clerical organizations are inherently inflexible when it comes to scheduling work. In a larger group, you usually get a higher degree of effective time utilization.

4. Improved supervision. Clerical centralization permits you to concentrate supervisory talent. When you reduce the number of clerical groups needing supervision, you can both reduce supervision costs and pick the best supervisors for the job of managing the consolidated groups.

5. Increased mechanization. A high volume of work often permits the introduction of mechanized or electronic equipment which, when properly used, can increase productivity greatly.

Some problems, too

Conversion to centralized or consolidated clerical operations is not without its difficulties. There are some negative forces to guard against. The most critical of these is the tendency for productivity to level out and finally drop off as the clerical group becomes extremely large. This phenomenon, shown in Figure 2, is a curve that can often be observed but not always success-

fully explained. The most probable reasons are these:

1. Bureaucracy. At a certain size, many organizations, whether they be clerical groups or entire industrial enterprises, become bureaucratized—that is, they lose their flexibility, their responsiveness. The harmony, the esprit, the unity of purpose in a group of 50 may completely break down in a group of 150. As a clerical operation grows large it is usually necessary to departmentalize it more rigidly, and what results is often a collection of small, independent clerical units. Thus, the over-all operation, though high in volume of work performed, tends to drift to a productivity level that is more typically associated with small, low workload clerical units. In effect, the high volume operation becomes nothing more than a series of small clerical units physically located under the same roof.

2. Increased supervisory time. As a clerical operation grows in size, it is necessary at certain discreet intervals to add additional levels of supervision. The immediate effect of this move is to reduce the output per employee. Ignoring for the moment the impact of "bureaucracy," the productivity curve reflecting the addition of supervisors might look like the curve shown in Figure 3.

3. Communications breaks. Centralization often implies a physical separation of clerical personnel from units of the company that are being serviced or supported. For example, centralizing clerical activ-



About
the
author

D. Ronald Daniel, an associate of McKinsey & Co., Inc., Management Consultants, specializes in organization, management control and data processing problems. The author of several articles on related subjects, Mr. Daniel gained his insight into the problem of centralized clerical operations through several recent studies conducted by McKinsey & Co. He is a graduate of Wesleyan University and Harvard Business School.

Figure 2

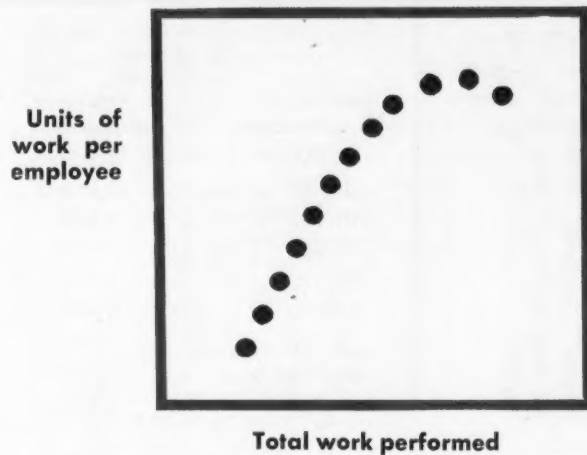
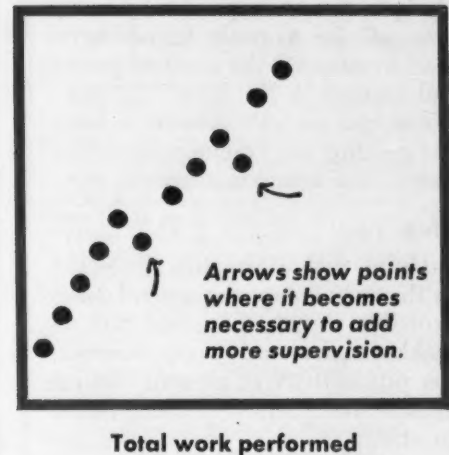


Figure 3



ity in a marketing department usually means performing sales order handling, invoicing, receivables, sales statistics, and other functions at a location away from the sales offices. When this situation exists, it is often necessary to establish an elaborate communication network, sometimes at considerable expense, to transfer information between the processing unit and the originating and end user units.

Physical separation of clerical personnel and operating groups can be troublesome in other ways. Most executives are accustomed to having records accessible. Although there is often little justification for it, executives will frequently oppose clerical consolidation because they feel they will no longer have access to certain data.

What does the future hold?

There are at least four strong forces at work that suggest further application of the concept of centralized clerical operations.

First is the growing proportion of clerical workers in the total workforce. The following table is dramatic evidence of this point:

| Year | Percent clerical personnel of total work force |
|------|--|
| 1870 | less than 1.0% |
| 1900 | 2.5% |
| 1910 | 4.6% |
| 1930 | 8.2% |
| 1958 | 14.0% |

The sheer size of clerical activity forces management attention on ways to control it.

Second, the probability of a continuing squeeze on profits will result in an intensification of cost reduction programs of all kinds.

Third, further progress in electronic data processing and advances in understanding of how to exploit this hardware, should make more clerical operations susceptible to centralization.

Fourth, progress in communications technology will facilitate a physical separation between clerical personnel and the operating groups they support.

Implications for your company

It would be a mistake to regard clerical centralization as a "band wagon" and to just climb on. The fad aspects of this concept are likely to be very noticeable in the next year or two. They should be resisted. At the same time, it is fair to say that the potential savings are great, particularly for the larger, geographically dispersed company.

The soundest way to approach the subject is by conducting a rigorous and objective study within your

own organization. As an aid to such a project, a four-step program is outlined here. It calls for you to:

1. **Identify** major centers of clerical activity.
2. **Determine** present productivity rates.
3. **Define** the optimum number of clerical units.
4. **Determine** the best locations for the optimum number of units.

Step one

A simple recording form, one possible version of which is shown in Figure 4, will facilitate the job of inventorying your firm's clerical personnel. The primary facts that should be isolated include the name of the group; the department (marketing, manufacturing, finance, etc.) or other organizational unit to which it belongs; the number of personnel, separated as between supervisory and clerical; the major functions the group performs; and any mechanized equipment in use.

It may be helpful to prepare several lists arranged in different sequences. For example, a list that is

Figure 4

Inventory of Clerical Functions

| NAME OF GROUP | DEPARTMENT AND LOCATION | MANPOWER | | | MAJOR FUNCTIONS | MECHANIZED EQUIPMENT IN USE |
|---------------|-------------------------|-------------|----------|-------|-----------------|-----------------------------|
| | | Supervisory | Clerical | Total | | |
| | | | | | | |
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set up in descending order by group size will be a guide to where to start looking for the greatest potential savings. A list sorted by functional groups will provide a basis for gauging the fragmentation that exists in a common activity.

Step two

Using the information collected in the initial step, the second (and probably the most critical task in making such a study) is to ascertain the productivity of present clerical groups. The purpose of doing this is to obtain evidence that shows the relationship, if any, between the volume of work being processed by a group and output in terms of work per person in that group.

For example, a chemical company recently evaluated its sales order handling function in nine district sales offices. For 1958 it found the pattern shown in *Figure 5*.

When plotted on graph paper, this pattern appeared as in *Figure 6*. From this the company inferred that there was a higher level of order handling productivity in its larger offices. However, this evidence certainly did not warrant any consolidation of the entire sales accounting function simply to improve the efficiency of sales order handling.

As a next step, the company examined in a similar manner the productivity rates of the other clerical functions in the district sales offices. In each instance—receivables, sales statistics, credit and collection, etc.—a similar pattern emerged. As a consequence, this company eventually moved its sales accounting to three regional offices.

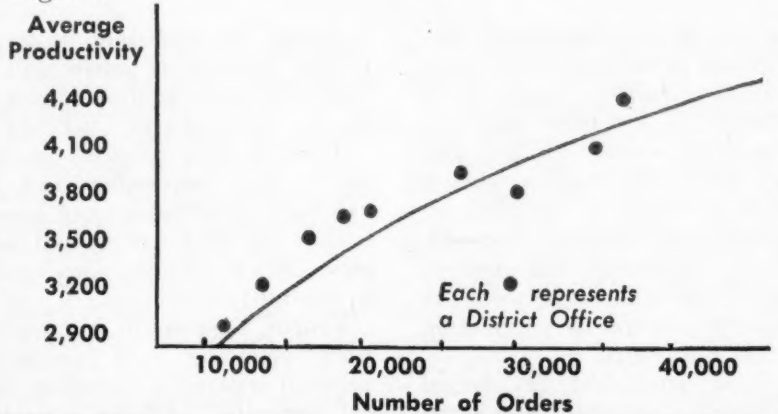
In developing such efficiency curves, it is important to select the volume yardstick with care. It must be a task for which adequate records exist, but, more important, it must be a task that generally reflects the over-all output of a particular group. In instances where only one function is performed, selection of the appropriate volume yardstick is easy. Where there are multiple activities handled by a single clerical unit, it is sometimes necessary to develop a composite yardstick.

A life insurance company performed certain policyholder "serv-

Figure 5

| District office | Number of clerks on sales order handling | Number of orders handled | Average productivity |
|-----------------|--|--------------------------|----------------------|
| 1 | 4 | 13,000 | 3,250 |
| 2 | 9 | 35,550 | 3,950 |
| 3 | 6 | 21,900 | 3,650 |
| 4 | 4 | 11,900 | 2,975 |
| 5 | 8 | 30,320 | 3,790 |
| 6 | 5 | 18,050 | 3,610 |
| 7 | 5 | 17,000 | 3,400 |
| 8 | 7 | 26,775 | 3,825 |
| 9 | 9 | 37,935 | 4,215 |

Figure 6



ice" functions in its sales offices. This included changes of address, changes of beneficiary, death claims, matured endowments, cash loans, settlement agreements, and a dozen other tasks. No one task adequately reflected the volume of work handled by this single group of clerks. As a result, in estimating the productivity of the "service" groups in its various offices, the company developed a composite volume yardstick which was the average of three primary functions (death claims, address changes, and cash loans) weighted by the standard time to perform each function. This was a representative measure since the three functions accounted for two-thirds of the time of the "service" groups.

Step three

If step two effectively demonstrates the basic feasibility of consolidating certain clerical opera-

tions, the next logical question is: consolidate to what degree? Thus, do you collapse sales accounting from nine district offices to three centers, four centers, one center or what? Or do you shrink plant accounting from 15 factories to one accounting center, or somewhere in between?

The optimum size for a particular clerical operation may be suggested by curves such as those developed in step two if a definite peaking or plateauing is obvious. However, quite often a company's experience does not embrace clerical units of sufficient size to permit a good insight into the question of optimum size. Where such is the case, it is important to evaluate other factors in depth.

First, it is frequently necessary to conduct a comprehensive systems study to determine the real potential of mechanization. Such a study usually challenges the necessity of

■ HERE IS A LOW-COST, highly effective approach to office cost control—an approach that is tested and proven. It works even if you have no more than five people doing repeat work in your office.

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Practical Control of Office Costs helps you answer key questions like these:

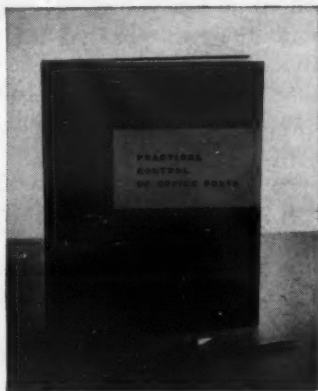
How many people do we really need? When is overtime justified? Which new equipment can pay for itself? How long should it take to type a letter... find a folder... make a phone call... total a column of figures?

Practical Control of Office Costs has been called one of the biggest contributions to management in the last decade. It contains 10 idea-packed chapters, 36 tables of standard time values in seven major categories of office work, 11 standard allowances for miscellaneous work, plus six helpful forms.

YOU CAN SLASH OFFICE COSTS 20 to 30% in a few months

That's the promise in an important new book by three experienced authors

PRACTICAL CONTROL OF OFFICE COSTS



by H. B. Maynard,
William M. Aiken
and J. F. Lewis

The book's table of contents:

Immediate results you can expect with practical office controls—"It is not unreasonable to expect cost reductions of 20 to 30% within a few months, with further savings in the following years."

Facts about the Universal Office Controls and how they were developed—"All manual work can be analyzed in terms of basic motions. Universal Office Controls are built on this fact and therefore are *universal* in their application."

Eight ways to use Universal Office Controls—You can get *factual* answers to questions like: Who are our best workers?... Should we mechanize our office work?... How much does each report cost?... Should we use temporary help.

How to apply Universal Office Controls—Here are the steps to take to control costs with Universal Office Controls. Sample forms are given, plus a caution on how to avoid human relations problems.

Ten questions that test the efficiency of your office—Symptoms of poor efficiency will stand out when you observe the office in the light of these questions. Or you can use work sampling, which is described.

How to organize definite tasks for the office force—Here is the easy, systematic way to assign definite tasks, using task lists and work distribution charts.

How to establish effective methods in the office—A review of the two chief techniques for testing and improving the efficiency level of your present office methods.

How to set time standards for office tasks—Here, in step-by-step form, is a case example of how to create sound time standards that can be easily attained by the average worker.

How to install your program of Practical Office Control—Based on experience in firms where this program has been profitably used, you get a plan of action to take, and pitfalls to avoid.

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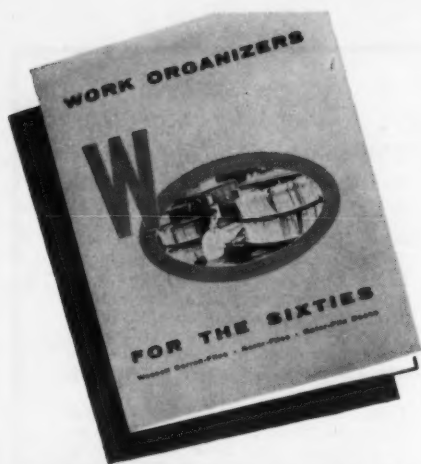
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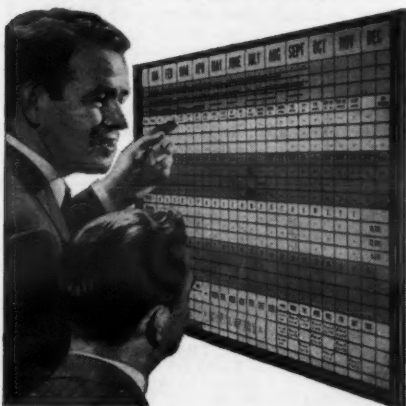


Now ready for management 32 pages of answers to high clerical costs

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performing certain functions, or at least the way they are performed.

Second, the need for a communications network between consolidated clerical centers and operating units must be explored by evaluating the alternative costs of the networks that would be required under varying degrees of consolidation. Very often, the higher the degree of consolidation, the higher the communications costs.

Third, a company's organization may influence clerical consolidation. For example, clerical centralization might do more harm than good if you are following a general program of decentralizing operations.

Fourth, centralization raises certain issues of vulnerability. Complete dependence on one clerical center can be dangerous in the event of strikes, data processing equipment breakdowns, or natural catastrophes. Because of this potential threat, companies may choose to sacrifice some efficiency for the sake of insurance.

Fifth, when you evaluate centralization, be sure to consider the conversion job. If a company operates 24 plants across the country, the sheer task of conversion is likely to rule out establishment of only one or two accounting centers.

The conversion problem may require that consolidation take place in stages. In the example just mentioned, if a fairly high degree of consolidation is indicated for productivity reasons, the soundest way to move ahead might be first to convert to six or eight locations and ultimately to two or three locations.

The most critical aspect of conversion is training. In many centralization moves, companies have had to hire 60% to 70% new people to man the operation. This situation is even further complicated by the frequent need to retrain veteran employees because of newly established procedures.

Sixth, consider the effect of consolidation on customer service. This is particularly applicable when the clerical functions within a marketing department are being examined for centralization potential. The maintenance of customer service at a certain level, measured, for example, in terms of the speed of handling his order or of answering his inquiry, is often important for

competitive reasons and will militate against too much centralization.

In short, what step three actually involves is an estimate of how centralized a clerical function should be to take full advantage of the inherent efficiencies of large clerical groups, coupled with potential economies through mechanization, and then a practical tempering of this estimate through a consideration of the effect of communications costs, present company organization structure, vulnerability to disasters, the size of the conversion job, and customer service requirements. The net result is a decision on the "best" number of clerical units to perform certain functions.

Step four

The final step in a centralization study is to determine the best geographic locations for the optimum number of clerical units as defined in step three. This task is essentially the same as in any facilities location study. Certain criteria must be identified and the possible choices then measured in terms of such criteria.

Major factors to consider in selecting a clerical work center are:

1. Availability and cost of labor, with emphasis on the suitability of personnel for the type of work that will be required.
2. Availability and cost of needed space with consideration given to land or buildings already owned by the company.
3. Availability of adequate engineering and maintenance service from manufacturers of electronic data processing equipment.
4. Likely direction of the company's future growth.
5. Attitudes and services of banks where banking arrangements will be necessary.
6. Adequacy of mail service.

Conclusion

In summary:

1. The concept of clerical centralization *may* represent a large potential for reducing clerical costs.
2. It is not, however, an idea that should be adopted "band wagon style" simply for the sake of being fashionable.
3. A rigorous, objective study is the best way to determine the applicability of centralized clerical activity for a particular company. ■

Summary of a free report on The Surprising Opportunities In a Little Understood Market

This unusual new report on advertising methods shows how a handful of firms who sell school products are totally blanketing their market

Drawing from a mass of "first-time" research studies, this report gives you such useful new data as this:

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Moreover, with this report, you can measure the degree of buying influence held by each of the major buying groups in the school market. *There have been serious shifts in these groups during the past months. With this report, you can select precisely the groups to which you should now direct your sales efforts.*

To help us identify advertiser interest in the school market, you may have a copy of this interesting new report—without cost or obligation. We will mail you a copy if you simply write on your company letterhead, asking for report M. Write to Research Director, School Management, 22 West Putnam Avenue, Greenwich, Connecticut.

SCHOOL MANAGEMENT

22 West Putnam Avenue, Greenwich, Connecticut

Publications of
School Management Magazines, Inc.:

School Management
School Office
School Construction Services



THE MAN
Ben D. Zevin
President

THE COMPANY
World Publishing Co.
Cleveland

THE DESIGNER
Leon Gordon Miller, I.D.I.

WHERE HE WORKS: THE OFFICE

When President Benjamin Zevin's new office was being designed, he insisted that it create two seemingly opposite impressions.

First, he wanted his office to reflect the dignity and prestige of World Publishing Co.

But more, he wanted the atmosphere of a shirt sleeves workroom, the kind of atmosphere in which he likes to work best.

Designer Leon Gordon Miller met these demands, and added to the office a feeling of den-like warmth and comfort.

The workroom feeling is achieved with a simple, table-like desk, and use of clean, straight lines throughout the room. Teak paneling and simple adjustable shelves contribute to the workroom feeling, and help set off the company's product: books.

Smooth efficiency

President Zevin's work area is designed with smooth efficiency in mind. With his worktable before him, a room-length counter behind him and a low-level console cabinet at his side, he has a complete U-shaped surface within reach.

The side cabinet includes a built-in telephone with microphone pick-



Crisp, bright workroom

Console side cabinet features locked drawers, a built-in telephone with intercom controls and a speaker-mike for hands free communication, plus lighting control panel.



up and intercom controls, plus a panel of lighting controls.

Lighting design adds to the workroom atmosphere. The illuminated ceiling is supplemented by a large, rectangular, diffused light fixture hung over the worktable.

Opposite the work area is the president's informal discussion area with a dark colored sofa and chair which contrast with the light hued carpet, wall and drape. A low table, conventional table lamp and sculpture contribute to the feeling of living room comfort in this corner.

OF A SUCCESSFUL MAN

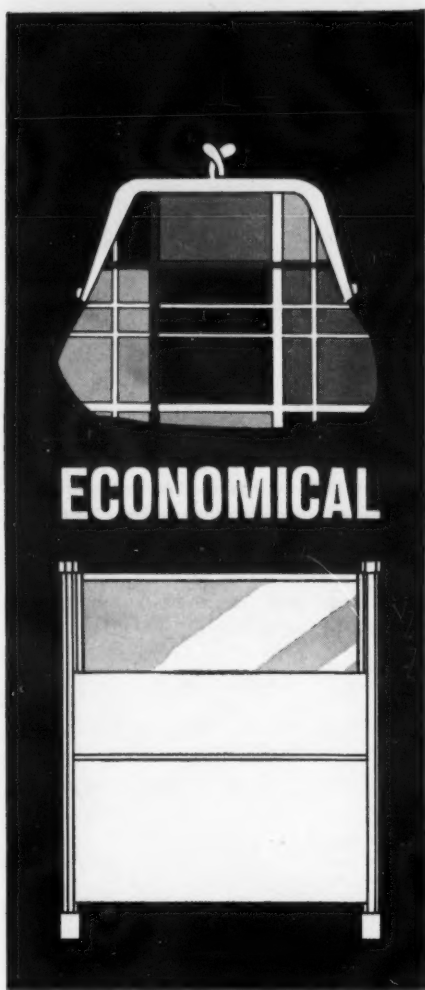


Dignity, workroom atmosphere, and den-like warmth are achieved in the president's work area. Contrasting darks and lights, plus clean lines, contribute to the crisp decor. Globe and map help symbolize World Publishing Co.

for a president



Discussion area is given living room feeling with shelves of books (the company's product), furniture of simple, modern design, conventional table lamp and other decorative devices.



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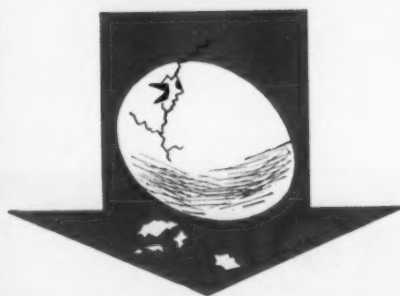
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New products

FOR THE MANAGER AND HIS STAFF

DICTATION EQUIPMENT

New tape recorder has re-usable two-hour tape

Latest model Geloso StenOtape dictating machine is designed for both normal correspondence and conference needs.

It features a desk-top microphone for relaxed dictation. Its two-hour magnetic tape will pick up proceedings up to 30 feet distant.

The compact unit weighs 6½



Made in Italy, unit records conference proceedings up to 30 feet away.

pounds and is priced at \$179.95. Equipped with transcriber's control and headset, the model costs \$44.90 additional.

For more details on this new tape recorder, distributed here by American Geloso Electronics, Inc., circle number 219 on the Reader Service Card.

Budget-priced recorder has 90-minute tape

Envoy is a new dictating and transcribing machine developed by Edison Voicewriter Division, McGraw-Edison Co.

Its built-in indexing system makes word finding simple for both dictator and transcriber. Talk-listen functions are controlled at the microphone.

Lightweight spools are easy to



Compact, lightweight Edison recorder, with 90-minute tape, costs \$219.60.

carry and inexpensive to mail. The entire unit weighs less than nine pounds and retails at \$219.60.

The machine can be used for ordinary correspondence, as well as recording conferences, interviews and phone conversations.

Optional equipment can be specified for special applications—such as an inverter for powering the unit from a car cigarette lighter.

For more details on this Edison tape recorder, circle number 202 on the Reader Service Card.

AUTOMATION

Avoid Problems When You Install EDP

Pitfalls often lurk in the installation phase of electronic data processing that may not be apparent in an EDP feasibility study.

Canning, Sisson & Associates, Inc., Los Angeles, warns that experience of others indicates you should watch these problem areas:

1. Orient your personnel. Nothing will scuttle an EDP program like the non-cooperation of the personnel who must help pin down the system details, who must feed data to the system or must use the results. One public utility EDP system floundered because branch office personnel felt their responsibilities were reduced by EDP. A

straight-forward program to communicate the place of EDP in your company should start during the feasibility study and continue until the system is accepted as a normal part of the firm's operations.

2. Get good programming help. In terms of man-years, and problems, big and small, the process of programming will cause the most trouble during installation. To reduce problems to a minimum and to come somewhere near meeting installation schedules do these things:

Obtain, by hiring or by consultation, at least one expert programmer. This may seem expensive at first, but it will pay off well in problems you won't have to face.

Write your programs in problem-oriented-languages such as Flow-Matic, AIMACO, or Commercial Translator. This will make it easier to train the programming staff, will permit management to understand the programs, and will make inevitable revisions comparatively easy.

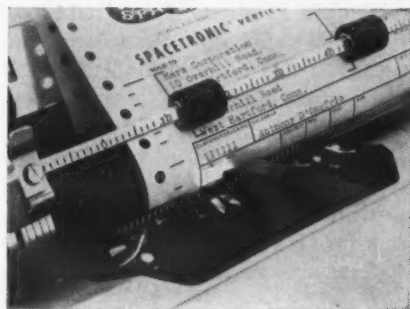
Don't underestimate the time to check out the programs and integrate the programming system.

3. Plan your physical site with care. Don't let poor layout make your day-to-day operations awkward and therefore prone to error.

Plan ahead. Don't be "penny wise." Then you will "get on the air" on time with an EDP program that pays off the way you planned it would.

Forms typewriter eliminates need for tab setting

Spacetronic is a new electric typewriter developed by Royal McBee Corp. that automates and speeds form preparation. Its photo-



Close-up shows sensing device at typing point for automatic tabulation.



Weak old scale wastes postage!

Because it overweighs. And you overpay! An unnecessary extra four cents postage on as few as ten letters a day runs into a hundred dollars a year—wasted!

If your old scale is stiff and rusty, it underweighs... And your mail arrives "Postage Due"—which is irritating to the recipients, and does your corporate image and customer relations no good at all!

An accurate scale is a real economy in any office. And you can't find a better mailing scale than those precision made by Pitney-Bowes.

Pitney-Bowes scales have an automatic mechanism that is fast acting, accurate—and keeps its accuracy.

The hairline indicator quickly registers the exact weight. Big chart includes recently increased parcel post rates; markings are easily visible, highly legible.

A PB scale makes mailing faster and easier, soon pays for itself in postage saved and errors avoided.

Seven models, including an international postage scale, a parcel post scale with 70 lb. capacity, and a small scale for the small office. Ask the nearest Pitney-Bowes office for the scale you need. Or send coupon for free illustrated booklet.

FREE Handy desk or wall chart of Postal Rates, including recently increased parcel post rates.



Pitney-Bowes Mailing Scales

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139 offices in U.S. and Canada

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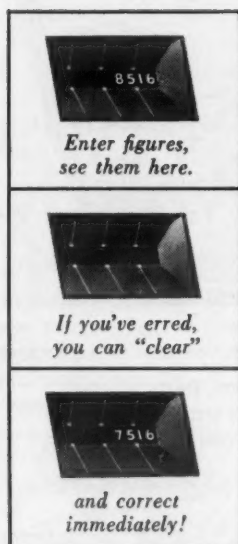
Send free booklet ☐ rate chart ☐

Name

Address

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This
adding machine
catches errors before
they're made!



Friden's model ACY actually catches errors before they're made. The exclusive Visual Check window shows a full registration of figures entered while they still can be corrected.

Further, the ACY has the exclusive Friden Natural Way keyboard, which is designed to fit the user's hand perfectly. Other features include the extra-wide platen for roll paper and wide forms; automatic re-printing of negative values; all live control keys; plus special features for rapid multiplication.

Try the "next step" in adding machines. Call your Friden Man, or write Friden, Inc., San Leandro, Calif. **THIS IS PRACTIMATION:** automation so hand-in-hand with practicality there is no other word for it.



Friden

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(Circle number 117 for more information)

electronic sensing device gives automatic format control without complicated programming. No special ink is required to activate the sensing device.

The unit completely eliminates need for setting and resetting tab stops. It can be used on a variety of forms without adjustment since the electronic eye senses the format of each individual form and makes the correct stops.

The sensing device will rapidly bypass any horizontal or vertical portions where no typing insert is required. Any qualified typist can operate the machine without special training.

For more data on this time-saving forms typewriter, circle number 253 on the Reader Service Card.

RECORDKEEPING

Pushbutton file
brings work to worker

Motorshef is a new record storage device, originated by Wheeldex



Cutaway view shows how records are housed in space saving motorized unit.

& Simpla Products, Inc., that saves from 40% to 65% floor space over that required by conventional files. It also reduces needed aisle space from 10% to 50%.

By simply pushing a button, the wanted file revolves into working position. The unit will accommodate regular correspondence, legal or special size records.

For more details on this easy to operate motorized file, circle number 232 on the Reader Service Card.

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Blunt facts about your cost of selling to businessmen

FREE . . . A unique new portfolio for top management which talks frankly about advertising waste—and gives you a practical guide for reducing it.

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With this new analysis—prepared for top management's use—you can personally examine the major publications in which your firm may be advertising and find out for yourself just what part of their circulation is reaching the group you sell.

For example, the portfolio shows that the total worthwhile business market is made up of only 38,000 business firms. And within these firms, there is just a handful of executives who control virtually all expenditures. Despite this, the average publication available for your advertising sometimes has hundreds of thousands of subscribers—all of which you pay for in your advertising rate.

The portfolio even shows how you can now turn this fact to your advantage.

To help identify advertiser interest in the business market, we will mail a free copy of this portfolio to any firm which sells to this market. Simply write on your company letterhead, giving your name and title, and the name of the product you sell. Ask for Portfolio A.

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Management Methods, School Management, Management Publishing Corp.

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copies, factory orders, and finally invoices. For multiple shipments, reproducible copies can be made of the original to serve as "originals" for reproduction of as many sets of shipping, production, and invoice copies as necessary.

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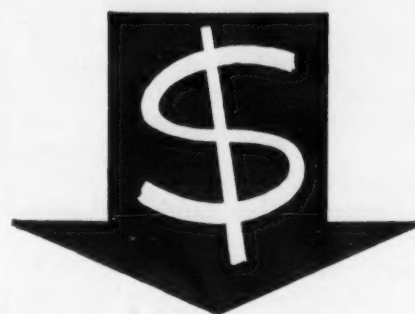
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A better way to run a business

Here's a way to

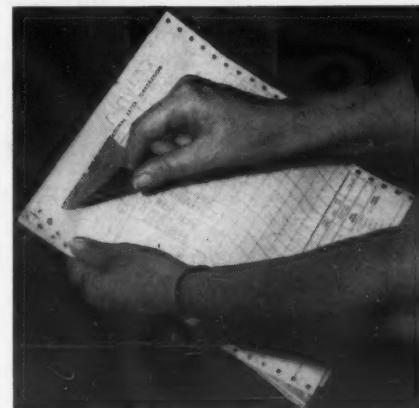
SPEED AND AUTOMATE LABELING PROCEDURES

Preparation of shipping labels was a time consuming job at the Dover, Del. plant of International Latex Corp. The several steps involved actually slowed shipments. And each step added one more chance for error along the way.

Under the old system, a girl in the distribution center had to estimate the number of labels required to ship each order. Then she separated the invoices into two stacks—less than six labels and more than six.

For each invoice in the under six group, she typed labels in sets of three on a pin-feed typewriter. For each of the over-six label invoices, she typed the address on a three-by-five-inch stencil. This, in turn, was sent to the duplicating department where labels were run off.

In each case, labels then had to be manually attached to the correct invoice and returned to the ship-



Weber Tab-On stencils produce labels as by-product of invoice preparation.

ping department for picking, packing and labeling. Finally, the clerk at the end of the line, marked each carton "On 4" or "On 6" for how-ever many packages completed the order.

Now, this laborious labeling process has been integrated and automated with invoice processing. Here's how this simplified system works.

A Weber Tabber automatically applies Tab-On stencils to the "ship to" portion of invoice sets at the rate of 2,000 an hour.

All pertinent shipping data is then cut into the stencil simultaneously as the invoice is created in the data processing department. After checking, the invoices are sent to Shipping where the clerk adds "On 6" or "On 3" to the stencil. When the shipment is packed, the stencil is placed in a Weber hand printer and the complete address is transferred to each carton.

This new simplified system costs only \$1,846 a year more for equipment and materials than the old time consuming way. This modest investment has already paid off in estimated savings of \$10,359 in labor costs alone—not to mention better customer service.

Here's a way to

EVALUATE AND CONTROL EACH PRODUCTION CYCLE STEP

Projected manufacturing savings are many times the \$120,000 annual figure already realized by American Bosch Arma Corp. from use of a new Management Operating System technique.

Tool with which production costs are being scientifically slashed for this Springfield, Mass., firm is an IBM random access data processing system. End result is the balanced, interrelated, economical planning of each cycle.

Maximum profits are achieved through the optimum use of materials, machines, manpower and money.

An IBM Rmac 305, with a 10-million character memory, stores complete history and forecast formulas for sales, materials requirements, inventory, scheduling, dispatching and operation evaluation.

At any point, and in three minutes time, management can determine what every order means to the



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a favorable
industrial
tax climate in
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status of its 15,000 parts and 1,000 end products.

At any phase of the cycle, management can introduce "what if" questions. The cause and effect answers provide the basis for evaluating data, considering possible alternatives and making final decisions.

Under the new Management Operating System, the complete processing of a production schedule order is activated with a single punched card. Accepting the card, the IBM computer scans its magnetic disc file and establishes time relationships needed to obtain or produce each component of the finished product and its effect on all 15,000 parts and 1,000 end products.

With this automated control of economic order quantity procedures, the number of shop orders processed each year has been cut by 4,000—at a saving of \$30 each.

As a by-product of this shop order reduction, machine setup costs, ranging from \$20 to \$100 each, also will be sharply reduced.

Standardized production levels will result in better planning of manpower requirements. Inventory, rather than employment, will fluctuate, and inventory dollars are concentrated in action sales items.

Here's a way to

PREPARE WORKERS FOR ADVENT OF AUTOMATION

Recently, Haloid Xerox, Inc., Rochester, was faced with the problem of paving the way for introduction of extensive automation in its plant.

Because of anticipated layoffs, many workers were apprehensive—even senior employees.

To boost morale and find use for loyal and valued employees, the photographic and photocopy equipment manufacturer instituted a retraining program for displaced persons.

Under the plan, sanctioned by the Amalgamated Photographic Supply Workers, senior workers spend six weeks at the Rochester Institute of Technology learning new mechanical skills.

Each student not only receives his tuition but also regular wages during the retraining session.

To be eligible, an employee must

pass a written test, have 10 years consecutive service and have 10 years of potential service ahead. Once selected, students are allowed a choice of two general fields of study—machining or mechanical assembly.

The course was custom tailored by the Rochester Institute to fit Haloid Xerox specific needs. Undoubtedly, most firms considering this plan could also find nearby institutions to do the same.

The program has earned excellent response. When Haloid Xerox first announced availability of the course, more than half of those eligible immediately signed up. Since then, others have also joined. General employee morale was boosted, even among those not involved.

Besides praise from the community and the local press, the plan has also received favorable comment in national publications.

Haloid considers its investment in training displaced workers well worthwhile. Tuition for the six weeks is \$400 a man. Total cost in wages, administration and lost work brought the cost to between \$1,750 and \$2,000 per student.

All of the first 12 graduates are already applying their new skills in the machine shop. A second group of 12 is being trained. In all, some 60 employees will benefit from the course.

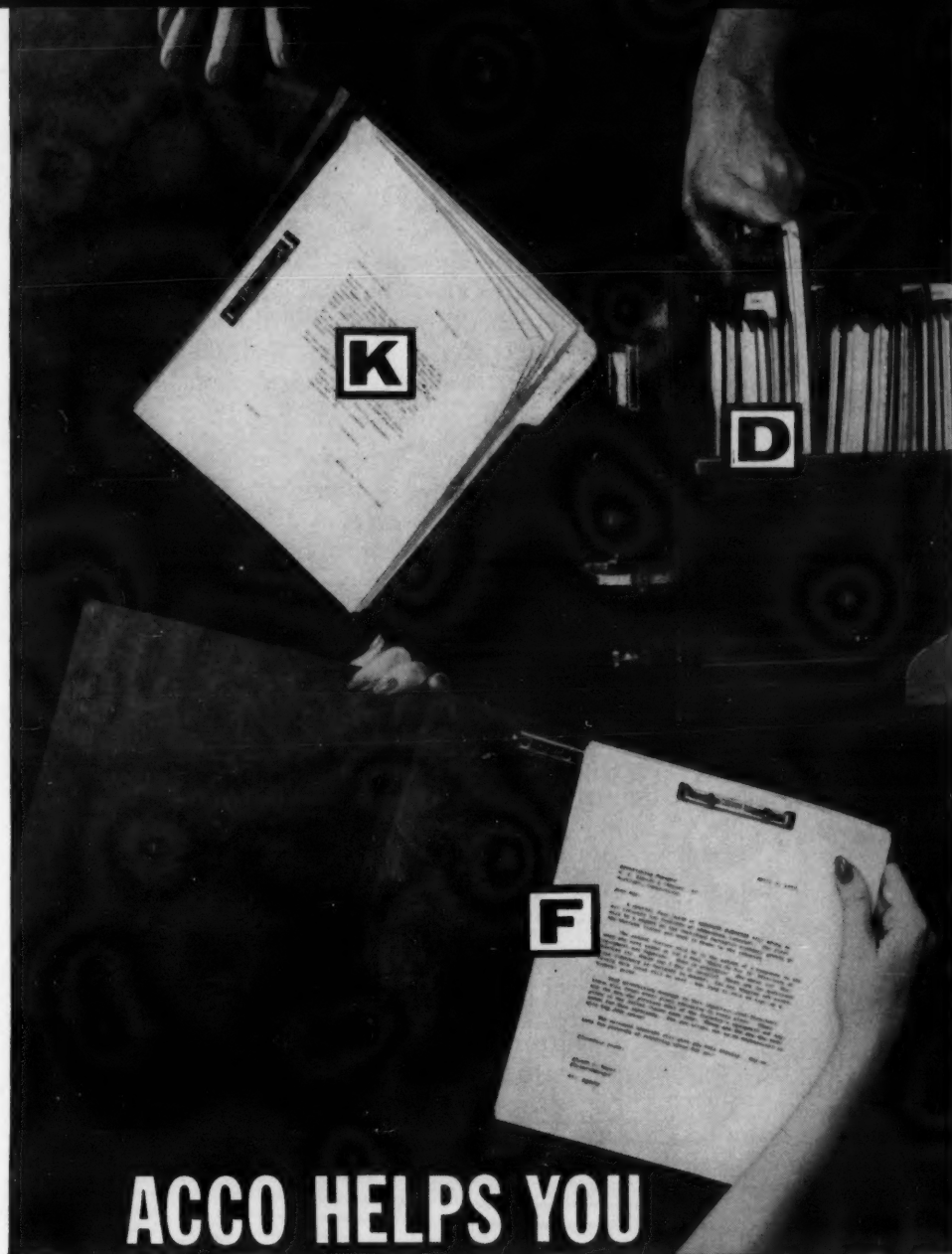
Here's a way to KEEP TRACK OF WORK SCHEDULES

Stromberg-Carlson Co., Rochester, had the problem of projecting work schedules that were constantly shifting.

Here's the simple method they adopted to maintain an up-to-date picture of work in progress.

Jobs and work details are typed on a vellum task schedule form. The period of the task is indicated with Labelon, pressure-sensitive, color and pattern coded tapes.

Duplicates of this master schedule are then made on an Ozalid copying machine. As changes in the time schedule occur, the tapes are easily removed and re-applied to indicate the revised program. The original work sheet can be revised and re-run through the Ozalid machine as many as 100 times without deterioration in the coded tapes.



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GENUINE PRESSBOARD FOLDERS

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® REGD. T.M.

When was the last time you heard from Joe Botts?

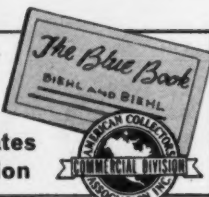
Remember good ol' Joe? He was the fella you sold that \$750 order to five months ago. The total amount was due in 30 days. You offered a 2% cash discount if Joe paid in 10 days. But Joe didn't pay in 10 days. Joe didn't even pay in 30 days. As a matter of fact, Joe hasn't paid one red cent in 150 days!

You can stop wondering why Joe hasn't answered your letters. Joe's either in trouble or unhappy about something. He may even be out of business. It's time you let B&B contact Joe. He won't resent it, because we'll talk to Joe in a nice way. We'll be understanding—but we'll collect your \$750, too! Why not let us explain exactly how we plan to do it?

Commercial Collections Everywhere



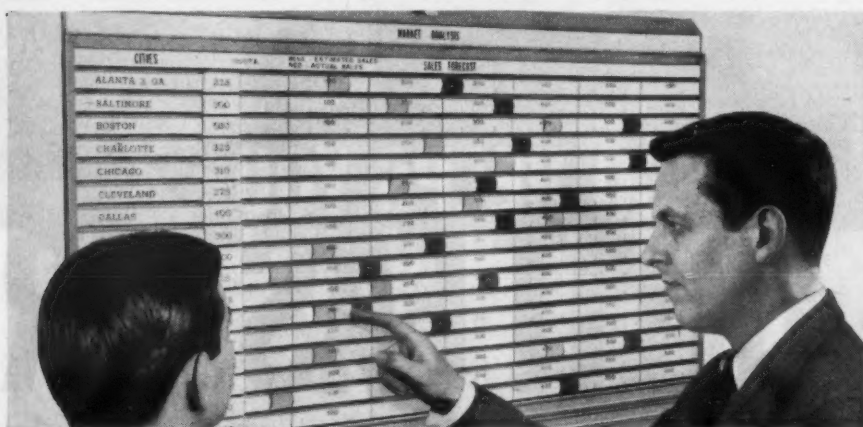
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(Circle number 101 for more information)

Competitors up to Continued from page 52

ordination through which the data is funneled.

The value of a competitive intelligence system is lost if the knowledge is routed through the organization in a haphazard manner. Information may go to the wrong man. Or the man who really needs the information may not get all the data. Some of it might be misdirected or it might get lost.

Whether yours is a small, medium-sized, or large company, you can easily set up a plan for handling competitive information as it comes in.

Small company. Here, an intelligent secretary to the president could coordinate the data. She could collect and collate the information as it comes in from salesmen and representatives in the field. She could also study trade publications and other published sources for specific and useful information on competitors' activities.

Medium-sized company. A full-time employee could be assigned the job of coordinating competitive intelligence. He could also be responsible for maintaining complete files on all your important competitors.

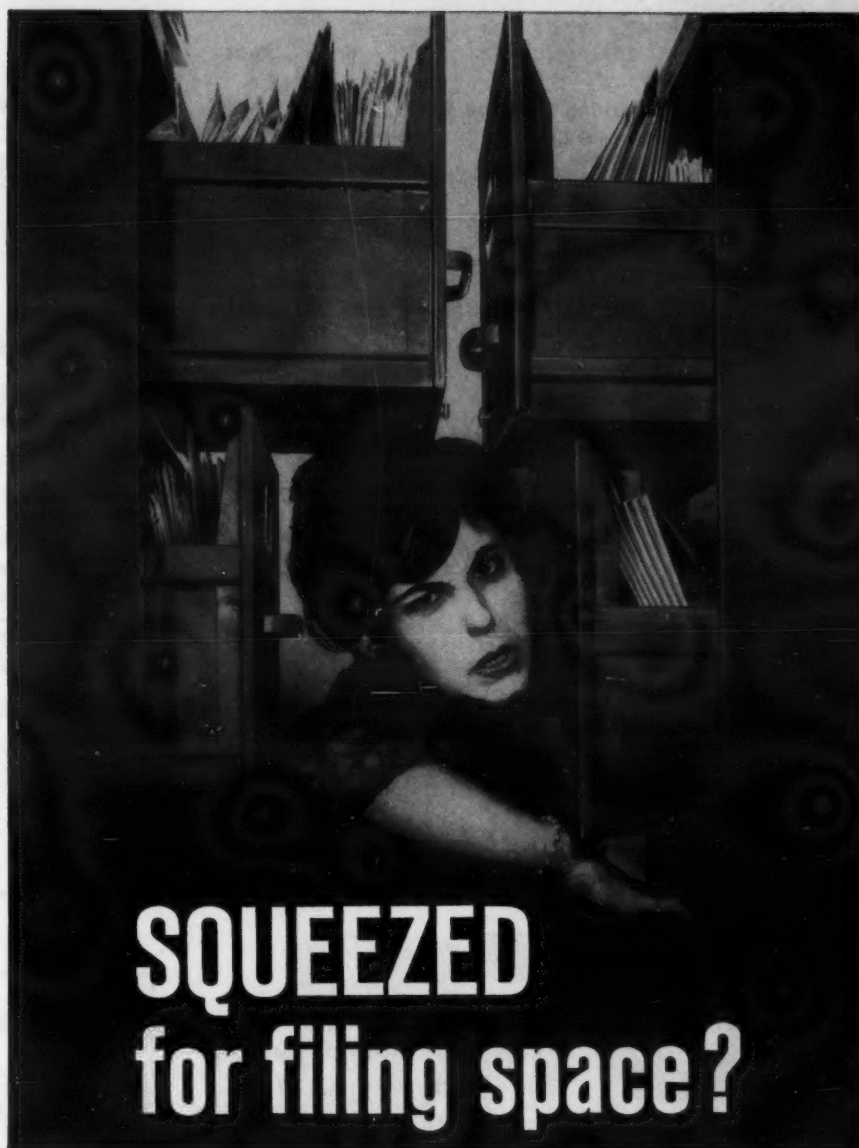
Large company. A staff group could be set up to compile comprehensive reports on major competitors. These reports would analyze past trends and discuss present operations in order to predict the actions—and capabilities—of a competitor at a future date. The reports would be routed to executives whose decisions must be based partly on competitors' strategies and tactics.

There's no doubt that competitive information can be valuable. But there's the danger of concentrating too heavily on competitors' activities or of basing too many decisions on competitive actions.

As one industrial executive states: "If you spend too much time finding out what your competitor is doing, you may be spending too little time developing new and more efficient products and processes of your own. If you are a leader, you become a follower. If you follow, you become more entrenched as a follower . . . you become less imaginative, less dynamic, less resourceful." ■

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Compared with the regular 4-drawer file which holds only 8½ lineal feet of active records, an 8-shelf VERTI-FILE unit provides space for 23½ lineal feet. Further, VERTI-FILE positions filed material so you can get at it faster and easier than ever.

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Here is a complete Round Steel Wire Strapping Kit containing everything you need to reinforce, seal or bundle small shipping cartons.

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entrance register

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- when flipped, toggle switches on entrance register automatically indicate on wire-connected switchboard whether key personnel are in or out. • individual switches can be substituted for entrance register panel for easy and quickly.

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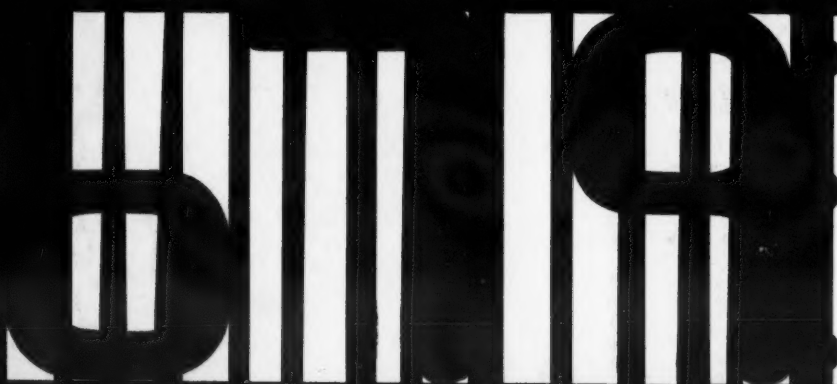
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The Farrington Optical Scanner (familiarily known as the EYE) is the first machine that does automatically what the human eye can do: it reads. Not only that; it also translates what it has read into language that is understood by data processing machines—punched cards, magnetic tape or perforated tape. And it accomplishes these feats with a speed and accuracy that no human eyes and fingers can match.

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